

CITY OF MIAMI SPRINGS, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared By The
Finance Department

MIAMI SPRINGS CITY OFFICIALS

CITY COUNCIL

Mayor: Billy Bain

Councilman: Peter Pacheco

Councilman: Rob Youngs

Councilman: Eric Elza

Councilman: James Caudle

CITY MANAGER

James Borgmann

ASSISTANT CITY MANAGER

Ron Gorland

FINANCE DIRECTOR

William Alonso

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

CITY OF MIAMI SPRINGS



James Borgmann
City Manager

Office of the City Manager
201 Westward Drive
Miami Springs, FL 33166-5289
Phone: (305) 805-5000

November 24, 2004

To the Citizens of the City of Miami Springs:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Miami Springs, Florida, for the fiscal year ended September 30, 2004, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the City Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The financial statements have been audited by Caballero & Castellanos, P.L., Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the City and complies with all reporting standards noted above.

The CAFR is divided into three parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. Other financial information includes budgeting and other statements and schedules provided to supplement required financial data. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the City's fiscal situation. The contents of the report have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis. The MD&A can be found immediately following the independent auditors' report.

The Reporting Entity and Services

The City of Miami Springs is a political subdivision of the State of Florida located in Miami-Dade County and was incorporated in 1926. The City operates under a City Manager form of government in which the City elects five council members, one of whom is the Mayor, every two years. The City Council determines the policies that guide the City's operations and hiring a City Manager to implement and administer these policies on a full-time basis.

In accordance with GASB 14 entitled "The Financial Reporting Entity", the City must include in its report any entity over which the City has ultimate financial accountability. For fiscal year 2004, there are no other entities included in this report other than the City itself.

Miami Springs provides a full range of municipal services including police, parks and recreation facilities, solid waste collection, water distribution/wastewater collection, stormwater, senior center, building and zoning, planning, code enforcement, and golf course.

ECONOMIC CONDITION AND OUTLOOK

The City of Miami Springs is located in Southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, comprises approximately 2.8 square miles with approximately 14,000 full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its employees.

Despite the financial crunch being suffered by some of the cities within Miami-Dade County, the City of Miami Springs has been successful in providing a high quality of life for its residents, by enhancing the level of services being offered. But in addition to the increased efforts to enhance services, the City has also provided increased benefits to its employees, as a recognition of the fact that, in order to continue to provide these valuable services, it must retain and reward its valuable employees.

One of our goals has been to get the City's bond credit rating upgraded by the rating agencies. During December 2004, after numerous conferences with Standard & Poor's (S&P), the City received notification from S&P that the City's bond rating had been upgraded from "BBB+ with a negative outlook" to "BBB+ with a stable outlook". This is a significant and necessary first step in securing the future financial viability of the City as evidenced by our BBB+ investment grade rating, as well as providing another outside expert's view to our residents that the City has the financial strength to meet our financial needs in the future.

The City recognizes the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. The City is aggressively pursuing various avenues of economic development and revitalization including strengthening our existing commercial areas and by performing economic feasibility studies in preparation for possible annexation of areas west and south of the City, as well as a study for the NW 36th Street corridor.

The City also recognizes the effect on the City's fund balances and reserves from continued operating losses in its golf and country club operation. The City, along with assistance from consultants, is developing various operating models that would help reduce losses for next fiscal year and beyond.

The repair phase of the water and sewer system renovation program is on-going, these repairs will improve the operating results and help fund the renewal and replacement programs of the system in future years. Additionally the savings will help pay for the principal and interest on the bond debt.

During FY 2004, the City hired a new Assistant City Manager with a finance background in the private sector and the corporate world. This experience will assist the City in developing innovative financial policies as well as long-term strategies to improve financial operations and provide citizens with increased services at reduced costs. The City has also hired a new Finance Director who is a certified public accountant (CPA) and has significant experience in governmental accounting and operations. This individual has been the City's lead auditor for the past two years and has a full understanding of the City's problems and what is required to correct those problems. The new Finance Director will help establish internal controls, improve the integrity of the City's financial reports, and provide forward looking as well as historic reporting. This will enable management to make timely decisions based on current and accurate financial information.

FINANCIAL INFORMATION

City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system.

The City's *accounting system* is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by City Council upon the recommendation of the City Manager with the Finance Director establishing accepted accounting policies and procedures as well as the number of funds maintained.

CASH MANAGEMENT

The City of Miami Springs is fully charged with the security of the City's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents along with regulations defined by the State of Florida Statutes. The City's primary investment instruments are overnight repurchase agreements, certificates of deposits, and State Board of Administration (SBA) funds. The principal focus of cash management is to ensure the safety of the City's cash while maximizing our return on each investment. No investment is made for any commitment period exceeding six months.

During FY2004, the City earned \$63,406 in investment income, as compared to \$64,179 earned in fiscal year 2003. The extremely low interest rate environment has impacted the performance of the City's portfolio during the year. The City will begin investing in Certificates of Deposits during FY2005, these investments will yield higher rates than currently earned from the SBA.

DEBT ADMINISTRATION

The City's outstanding long-term debt obligations consists of two tax-exempt bond instruments: the General Obligation Bond, series 1997, and the Revenue Refunding and Improvement Bonds, series 1998 (refunding the previously recorded utility Revenue Bond, series 1994). The face value of each bond on September 30, 2004 was \$3,970,000 and \$9,465,000 for the General Obligation Revenue Refunding and Improvement Bonds, respectively.

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City is required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion are lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. As of September 30, 2004, the FDOT had paid project costs of approximately \$744,000, the FDOT has advised the City that the total project costs will be less than \$800,000.

During fiscal year 2003, Miami Dade County (the "County") completed a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. The City's responsibility was estimated to be no more than \$250,000 and negotiations are on-going with Miami-Dade County as to the final amount of the project cost assigned to the City as well as the repayment terms.

RISK MANAGEMENT

The City purchases general liability, automobile, and property and casualty insurance coverages through the Florida League of Cities program. The City is self insured for its workers' compensation coverage through the Miami-Dade County Risk Management program.

INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the City has engaged the firm of Caballero & Castellanos, P.L., to perform the independent audit of the City's financial statements. The Independent Certified Public Accountant's report is included in the financial section of this Comprehensive Annual Financial Report.

AWARDS

This year, the City has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The City has also submitted its FY2005 Adopted Budget to the GFOA in order to apply for the GFOA's Award for Distinguished Budget Presentation. This is the first year the City has applied for this award.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the City's audit firm, Caballero & Castellanos, P.L. We express our appreciation to them for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. We also extend our appreciation to Holly Hughdal, P.A. for the significant work performed by her and her staff during the past fiscal year. Finally, we would also like to thank the various operating departments for their timely contributions in the writing of this report.

In closing, without the leadership and support of the Mayor and City Council, the accomplishments and future successes noted in this report would not have been possible.

Respectfully submitted,



James R. Borgmann
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Springs,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



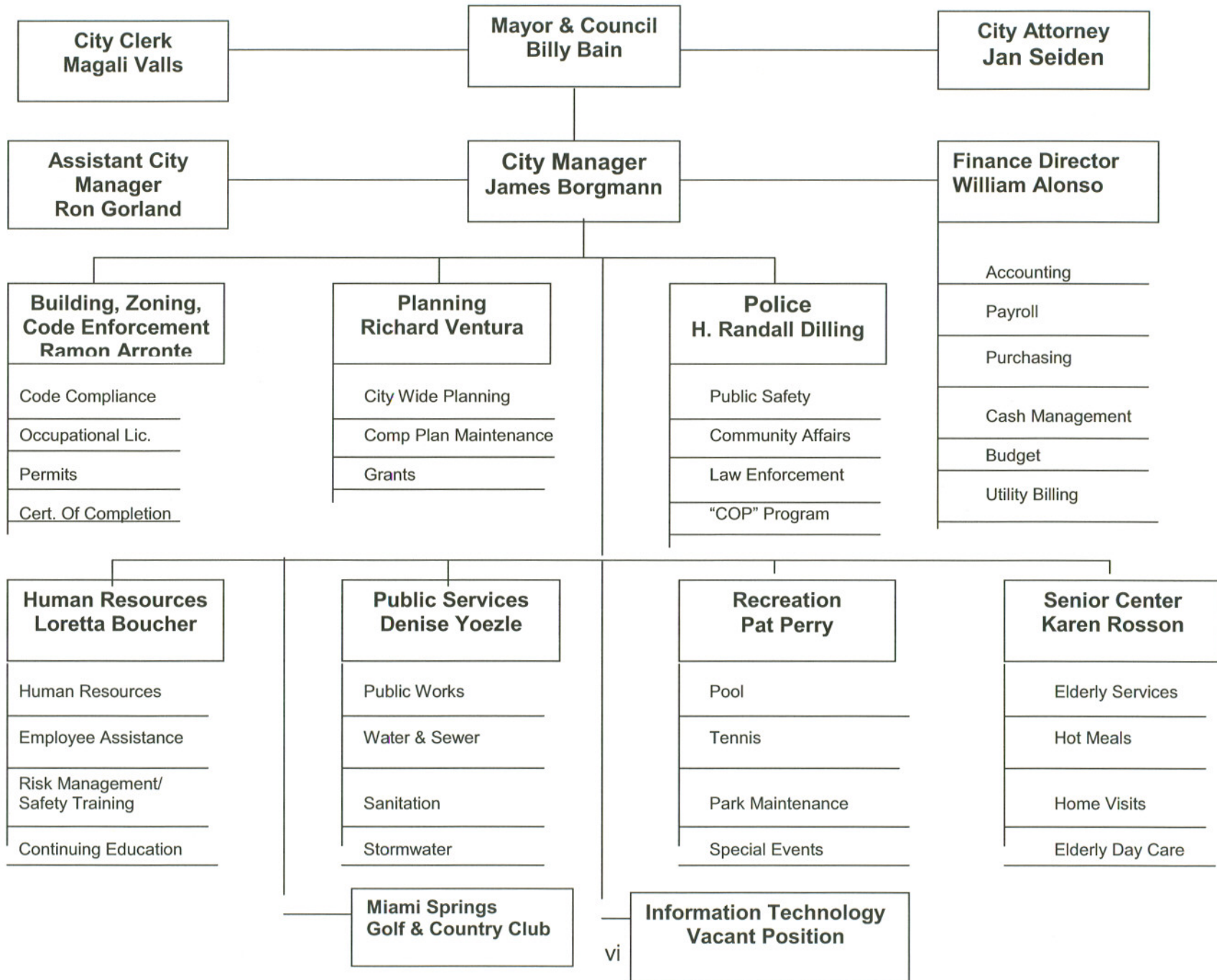
Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

CITY OF MIAMI SPRINGS ORGANIZATIONAL CHART



City of Miami Springs, Florida
Council-Manager Form of Government

SEPTEMBER 30, 2004

CITY COUNCIL

**Mayor
Council Member
Council Member
Council Member
Council Member**

**Billy Bain
Peter Pacheco
Rob Youngs
James Caudle
Eric Elza**

ADMINISTRATION

**City Manager
Assistant City Manager
Finance Director
City Attorney
City Clerk
City Planner
Police Chief
Human Resources
Chief Building Official
Public Works Director
Social Services Director
Parks & Recreation Director**

**Jim Borgmann
Ron Gorland
William Alonso
Jan Seiden, Esq.
Magali Valls
Richard Ventura
H. Randall Dilling
Loretta Boucher
Ramon Arronte
Denise Yoezle
Karen Rosson
Pat Perry**

FINANCIAL SECTION

CABALLERO & CASTELLANOS, P.L.

13340 SW 78 ST
Miami, FL 33183
Tel (305) 609-6332
Fax (305) 380-7596

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida (the City) as of and for the fiscal year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2004 on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The CPA. Never Underestimate The Value.®

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

The Management's Discussion and Analysis and the Budgetary Comparison Schedules, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Miami Springs's Florida, basic financial statements. The introductory section, combining nonmajor fund financial statements, schedules of funding progress and employer contributions and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Miami Springs, Florida. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, schedules of funding progress and employer contributions and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caballero & Castellanos, P.L.

November 23, 2004



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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Miami Springs, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2004. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, (the City's financial statements and the other required supplemental information).

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

This is the second year that the City has reported its financial statements in a government-wide format using the GASB Statement Number 34 reporting model. Thus, comparative information from prior years in the GASB 34 format is now available. Fund-based financial reporting and government-wide financial reporting are not viewed as being in conflict; however, they are not comparable. Since government-wide comparative information is available this year, a more significant portion of the analysis will focus on the changes in the government-wide statements, while still providing information on the City's fund-based comparative information.

It is important to note at this point, that the City also made a reclassification adjustment which affected the government-wide financial statements and various prior period adjustments that affected both the government-wide and fund-based financial statements, both of which are currently reflected in the comparative information presented. These adjustments are as follows:

- The Golf Course Fund which has been reported as a business-type activity in prior years, was reclassified to a governmental activity.
- The beginning fund balances of the governmental funds were restated for various prior period adjustments related to: a) compensated absences that were previously reported as current expenditures b) grant expenditures that were paid by the General fund in prior years but not properly recognized by the corresponding fund and c) revenues for prior years that were not accrued as of September 30, 2003. See Note 3 FUND EQUITY for additional information.
- In prior years, the City has reported the Water and Sewer operations as separate funds, for FY2004 both funds were combined into one "Water & Sewer" Fund

FINANCIAL HIGHLIGHTS

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$19.3 million (net assets). Of this amount, \$3.5 million (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

- The City's total net assets increased by \$2.2 million from \$17,094,637 in FY2003 to \$19,279,299 in FY2004. The increase was mainly attributable to \$994,757 from current year operations and approximately \$1.2 million in prior period adjustments. For current year operations, net assets of our business-type activities increased by \$10,114, while the net assets of our governmental activities increased by \$984,643.
- During the year, the City had expenses that were \$1 million less than the \$13.7 million generated in tax and other revenues for governmental programs.
- The business type activities for the City recognized \$6.8 million in revenues against \$7 million in expenses that resulted in a \$200,000 decrease in net assets before transfers.
- Total cost of all of the City's programs increased by \$94,000 with no new programs added this year.
- The General Fund's fund balance increased by \$2.1 million for the year ended September 30, 2004, this was comprised of approximately \$900,000 from current year operations and \$1.2 million from prior period adjustments.
- At the end of the current year, unreserved fund balance for the General Fund was \$2.7 million, or 29.0 percent of total general fund expenditures and operating transfers
- The City's total debt decreased by \$298,000 or 1.9 percent with no debt issued during the fiscal year. There was an addition of \$116,561 in capital lease debt related to the reclassification of the golf course fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an additional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.
- *Proprietary funds* statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the stormwater operations, the solid waste, and water and wastewater systems.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which is added together and presented in single columns in the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Miami Springs's finances, in a manner similar to a private-sector business.

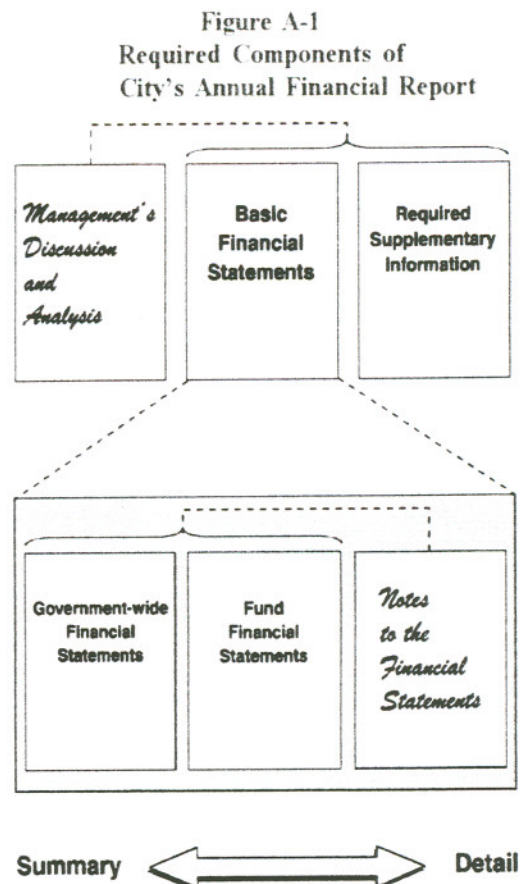
The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Miami Springs is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the City of Miami Springs include public works, parks and recreation, police, and general administration services. The business-type activities of City include the water and sewer, solid waste system, and storm-water systems.

The government-wide financial statements can be found on pages 21 to 22 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Miami Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Miami Springs can be divided into two categories: governmental funds, and proprietary funds.



Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Miami Springs maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Golf Course and Law Enforcement Special Revenue Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statements have been provided for the General Fund and all other major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 23 to 26 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, sanitation, and stormwater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer, solid waste, and stormwater operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 27 to 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 to 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 53 to 58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Assets summary presentation as reflected below:

- 1) **Net results of activities** will impact (increase/decrease) current assets and unrestricted net assets.
- 2) **Borrowing for capital** will increase current assets and long-term debt.
- 3) **Spending borrowed proceeds on new capital** will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.
- 4) **Spending of non-borrowed current assets on new capital** will reduce current assets and increase capital assets and will reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 5) **Principal payment on debt** will reduce current assets and reduce long-term debt and reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 6) **Reduction of capital assets through depreciation** will reduce capital assets and increase invested in capital asset, net of debt.

The City's combined net assets increased to \$19.3 million between fiscal years 2003 and 2004—(see Table 1). Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge.

Governmental Activities

Net assets for the City's governmental activities increased by \$6.4 million or 67%, to \$15.9 million. The largest portion of the increase (\$4.5 million) was due to the reclassification of the golf course operation from a business-type activity to a governmental activity in FY 2004. The remaining (\$1.9 million) increase in governmental net assets was attributable to approximately \$900,000 in prior period adjustments and \$1 million in net income from current year operations.

The largest portion of the City's governmental net assets (67 percent) is restricted as to the purpose they can be used for and are classified as invested in capital assets (land, buildings, streets, sidewalks, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

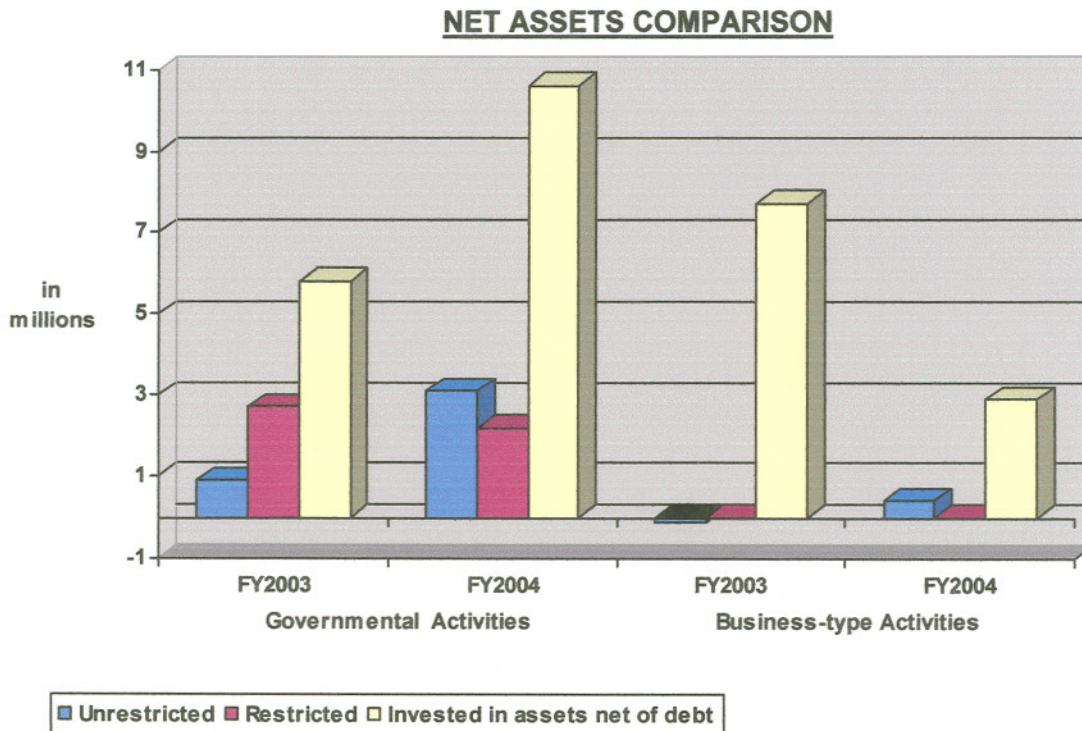
An additional portion of the City's governmental net assets (\$2.2 million or 13.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3.1 million) may be used to meet government's ongoing obligations to citizens and creditors.

Table 1
City of Miami Spring's Net Assets
(in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|-----------------------------|-------------------------|----------------|--------------------------|--------------|----------------|---------------|-------------------------|
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003-2004 |
| Current and other assets | \$ 5.6 | \$ 6.4 | \$ 1.7 | \$1.8 | \$ 7.3 | \$ 8.2 | 12.3% |
| Capital assets | 10.2 | 15.7 | 18.4 | 13.1 | 28.6 | 28.8 | 0.6% |
| Total assets | 15.8 | 22.1 | 20.1 | 14.9 | 35.9 | 37.0 | 3.0% |
| Long-term debt outstanding | 4.8 | 5.1 | 10.8 | 10.2 | 15.6 | 15.3 | (1.9)% |
| Other liabilities | 1.6 | 1.1 | 1.6 | 1.3 | 3.2 | 2.4 | (25.0)% |
| Total liabilities | 6.4 | 6.2 | 12.4 | 11.5 | 18.8 | 17.7 | (5.8)% |
| Net assets | | | | | | | |
| Invested in capital assets, | | | | | | | |
| Net of related debt | 5.8 | 10.6 | 7.7 | 3.0 | 13.5 | 13.6 | -% |
| Restricted | 2.8 | 2.2 | - | - | 2.8 | 2.2 | (21.4)% |
| Unrestricted | .9 | 3.1 | (.1) | .4 | .8 | 3.5 | 337.5% |
| Total net assets | \$ 9.5 | \$ 15.9 | \$ 7.6 | \$3.4 | \$ 17.1 | \$19.3 | 12.8% |

At the end of the current fiscal year, the City of Miami Springs is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Figure A-2



Business-type Activities

For FY 2004, there was an increase of approximately \$500,000 in unrestricted net assets reported in connection with the City's business-type activities. The largest part of this increase was attributable to losses from golf course operations that were not recognized in business-type activities for FY 2004. Additionally, the (\$0.5 million) increase in unrestricted business-type net assets was attributable to approximately \$328,000 in prior period adjustments and \$130 thousand in net income from current year operations.

Summary of Changes in net assets. The following information is presented to assist the reader in understanding the different types of normal impacts that can affect revenues:

- 1) ***Economic condition*** can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) The City Commission has significant authority to set ***increases or decreases in City's rates*** (water and sewer, stormwater, sanitation, permitting, user fees, etc.).
- 3) ***Changing patterns in intergovernmental and grant revenues*** (both recurring and non-recurring) can significantly change and impact the annual comparisons.
- 4) ***Market impacts on investment income*** may cause investment revenues to fluctuate from the prior year.

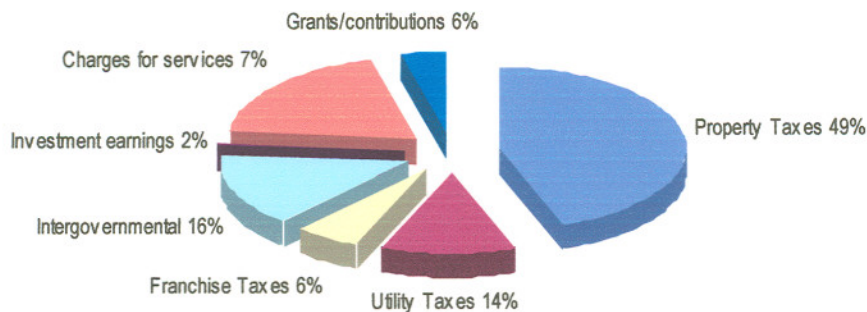
Some other basic impacts on expenses are reflected below:

- 1) ***Introduction of new programs*** can have a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) ***Changes in service demand levels*** can cause the City to increase or decrease authorized staffing. Staffing costs (salary and related benefits) represent 70% of the City's operating costs.
- 3) ***Salary increases*** such as cost of living, performance increases and market adjustments can impact personal service costs.
- 4) ***While inflation*** appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals, supplies, fuels and parts. Some functional expenses may experience unusual commodity specific increases.

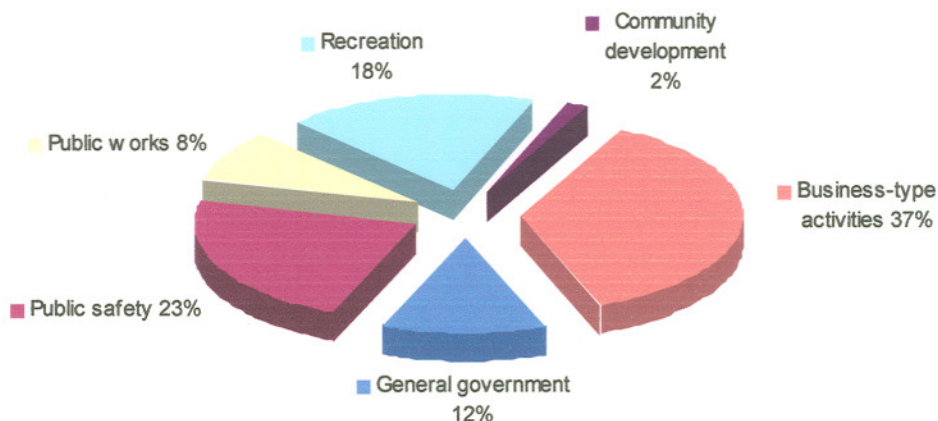
The City's total net assets increased by \$2.2 million or 5.5 percent during the current fiscal-year. This increase represents the degree to which increases in ongoing revenues have outpaced increases in ongoing expenses.

The City's total revenues increased by 3 percent to \$20.4 million (see Table 2). Nearly one half of the City's revenues come from property taxes, and 69 cents of every dollar raised comes from some type of tax (see Figure A-3). Another 7 % comes from fees charged for services, and most of the rest is federal, state and local aid. The total cost of all programs and services increased by \$100,000 or .5 percent (see Table 2). The City's expenses cover a range of services, with about 60% related to public safety and business-type activities (see Figure A-4).

**FIGURE A-3
REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES**



**FIGURE A-4
FUNCTIONAL EXPENSES FOR FY 2004**



Governmental Activities

Revenues for the City's governmental activities increased 21 percent (from \$11.3 million to \$13.7 million), while the expenses increased 23 percent (\$10.1 million to \$12.4 million). The increases in revenues and expenses for governmental activities was due in large part to the reclassification of the Golf Course Fund. The increase in net assets for governmental activities was expanded to \$1 million in 2004. This compares to a \$1.8 million decrease in 2003. The functional activities that had expense increases compared to last fiscal year were: general government (increased by \$300,000) and culture/recreation (increased by \$2.2 million due to the reclassification of the Golf Course Fund). Compared to last year, the expenses for physical environment decreased by \$100,000 as a result of vacant positions in the Public Works Department. Police expenditures showed no significant change from the prior year.

Table 2
Changes in City of Miami Spring's Net Assets
(in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--|-------------------------|--------------|--------------------------|--------------|-------------|--------------|-------------------------|
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003-2004 |
| Revenues | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | \$.7 | \$ 2.6 | \$ 8.4 | \$6.7 | \$ 9.1 | \$9.3 | 21.9% |
| Operating grants/contributions | .7 | .5 | -- | -- | .7 | .5 | (28.5)% |
| General revenues | | | | | | | |
| Property taxes | 5.6 | 6.0 | -- | -- | 5.6 | 6.0 | 7.1% |
| Franchise taxes | .7 | .8 | -- | -- | .7 | .8 | 14.2% |
| Utility taxes | 1.6 | 1.6 | -- | -- | 1.6 | 1.6 | - % |
| Investment income | .2 | .2 | 0.1 | -- | .3 | .2 | (33.3)% |
| Intergovernmental | 1.8 | 2.0 | -- | -- | 1.8 | 2.0 | 11.1% |
| Total revenues | 11.3 | 13.7 | 8.5 | 6.7 | 19.8 | 20.4 | 3.0% |
| Expenses | | | | | | | |
| General government | 2.0 | 2.3 | -- | -- | 2.0 | 2.3 | 15.0% |
| Public safety | 4.4 | 4.4 | -- | -- | 4.4 | 4.4 | - % |
| Public works | 1.8 | 1.7 | 9.2 | 7.0 | 12.0 | 8.7 | (27.5)% |
| Community development | .4 | .3 | -- | -- | .4 | .3 | (25.0)% |
| Parks and recreation | 1.3 | 3.5 | -- | -- | 1.3 | 3.5 | 169.2% |
| Interest on long-debt | .2 | .2 | -- | -- | .2 | .2 | - % |
| Total expenses | 10.1 | 12.4 | 9.2 | 7.0 | 19.3 | 19.4 | .5% |
| Excess (deficiency) before transfers | 2.2 | 1.3 | (.7) | (.3) | .5 | 1.0 | 100% |
| Transfers | (3.0) | (.3) | 2.7 | .3 | (.3) | -- | (100.0)% |
| Increase (decrease) in net assets | \$(1.8) | \$1.0 | \$2.0 | \$0.0 | .2 | \$1.0 | 400.0% |

Note: Totals may not add due to rounding.

The City's management took major actions this year to maintain current revenues and to control expenses.

In fiscal year 2004, the City's millage rate was 8.1436 (a .0064 decrease from the 8.15 millage rate for FY2003). The City's total revenue sources were \$21,000 less than the final budgeted revenues of \$10.1 million. The City's total expenditures were less than budgeted by \$1.2 million due to staff vacancies and unused departmental expenditures.

Table 3 presents the cost of each of the City's five largest services—public safety, general government, recreation and social services, public works, and community development—as well as each service's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these services.

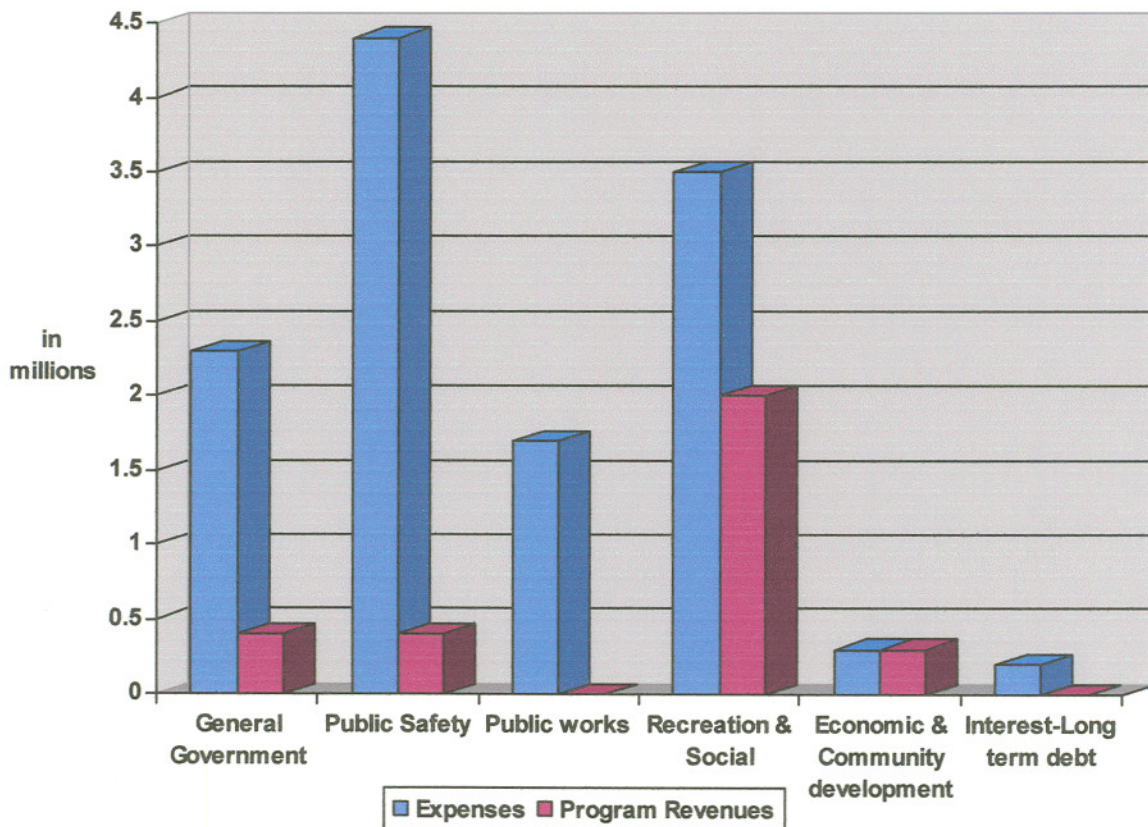
- The total cost of all *governmental* activities this year was \$12.4 million. Some of that cost was financed by:
 - Those who directly benefited from the programs through charges for services (\$2.7 million), or
 - Other governments and organizations that subsidized certain programs from operating grants and contributions (\$500,000).
- The City financed the remaining \$9.2 million "public benefit" portion of governmental activities with \$6 million in taxes, and with other revenues such as interest and unrestricted state aid.

Table 3
Net Cost of City's Governmental Activities
(in millions of dollars)

| | Total Cost of Services | | Percentage Change 2003-2004 | Net Cost of Services | | Percentage Change 2003-2004 |
|----------------------------|------------------------|---------------|--------------------------------|----------------------|--------------|--------------------------------|
| | 2003 | 2004 | | 2003 | 2004 | |
| Public safety | \$ 4.4 | 4.4 | 0.0% | \$ 3.9 | \$ 4.0 | 2.5% |
| Recreation/social services | 1.3 | 3.5 | 169.2% | .9 | 1.5 | 66.6% |
| Public works | 1.8 | 1.7 | (5.5)% | 1.8 | 1.7 | (5.5)% |
| General government | 2.0 | 2.3 | 15.0% | 1.6 | 1.8 | 12.5% |
| Community development | .4 | .3 | 25.0% | .2 | .0 | (100.0)% |
| Interest on long term debt | .2 | .2 | 0.0% | .2 | .2 | 0.0% |
| Total | <u>\$10.1</u> | <u>\$12.4</u> | 22.7% | <u>\$ 8.6</u> | <u>\$9.2</u> | 6.9% |

Figure A-5

Expenses & Program Revenues-Governmental Activities
For the Fiscal Year Ended September 30, 2004



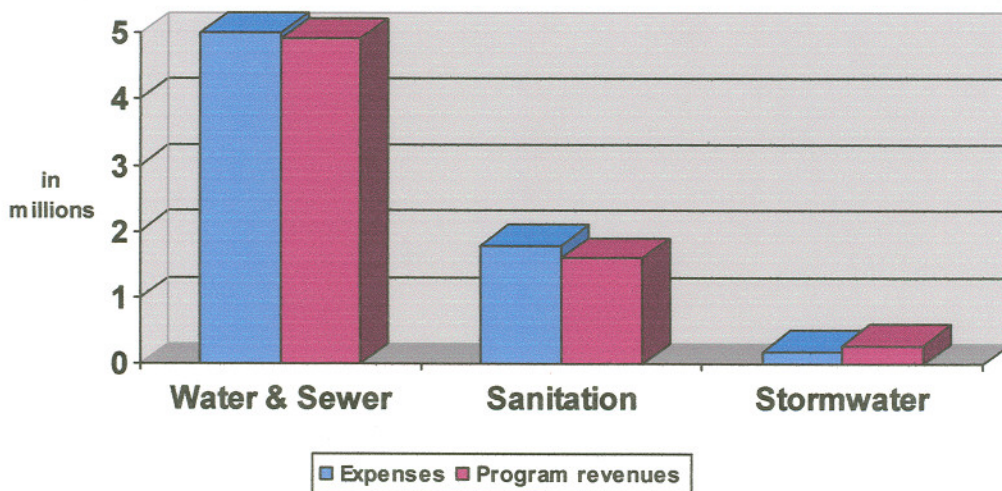
Business-type Activities

Revenues of the City's business-type activities decreased 21 percent to \$6.7 million and expenses decreased 24 percent to \$7 million (see Table 2). Factors contributing to these results included:

- The reclassification of the golf course operation from a business-type activity to a governmental activity.
- Water and sewer operating expenses increased by \$173,000 or 3.6 percent due to various factors, one of which was the discovery of various leaks in the City's water infrastructure system. The City contracted with the Miami Dade County Water and Sewer Department to perform testing on the City's system in order to detect the areas requiring repairs. The results of this test revealed approximately 9 leaks causing a water loss of 9 million gallons of water per month. These leaks were repaired during FY2005. The Water and Sewer Fund reported income before transfers of \$208,000 for FY2004 or \$180,000 less than the \$388,000 reported in FY2003.
- For the second consecutive year, the City's Sanitation Fund reported an operating loss. The Sanitation Fund has recorded losses from operations of \$248,000 over the past two fiscal years (\$124,000 for FY2003 and FY2004). The General Fund provided an operating transfer of \$269,000 in FY2004 in order to subsidize these losses. The City has experienced increased dumping fees over the past three years, however sanitation fees paid by residents has remained unchanged since FY2001.

Figure A-6

Expenses & Program Revenues-Business-type Activities For the fiscal Year Ended September 30, 2004



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported combined fund balances of \$5.2 million, or an increase of \$1.2 million compared to last year's combined fund balances of \$4 million. Included in this year's total change in fund balances is a \$1.2 million excess of revenues over expenditures in the City's General Fund. The primary reasons for the General Fund's excess mirror those highlighted in the analysis of governmental activities.

The General Fund

The General fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.7 million, as compared with \$574,098 in the prior year. Reserved fund balance decreased slightly from \$280,000 in the prior year to \$202,000 for the current fiscal year.

The amount of General Fund revenue by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

| Table 4 | | | | | | | |
|-------------------------------------|---------------|--------------|---------------|--------------|------------------|-------------------|--|
| General Fund Revenues (in millions) | | | | | | | |
| | | Percent | | Percent | Increase | Percentage | |
| | 2004 | of | 2003 | of | (Decrease) | Increase | |
| <u>Revenue Sources</u> | <u>Amount</u> | <u>Total</u> | <u>Amount</u> | <u>Total</u> | <u>From 2003</u> | <u>(Decrease)</u> | |
| Property taxes | \$5,638,375 | 55.7% | \$5,283,941 | 55.1% | \$354,434 | 6.7% | |
| Franchise fees | 747,491 | 7.4% | 657,367 | 6.9% | 90,124 | 13.7% | |
| Utility taxes | 859,966 | 8.5% | 888,524 | 9.3% | (28,558) | -3.2% | |
| Communications services tax | 710,136 | 7.0% | 714,566 | 7.5% | (4,430) | -0.6% | |
| Licenses and permits | 396,527 | 3.9% | 359,674 | 3.8% | 36,853 | 10.2% | |
| Intergovernmental | 1,200,928 | 11.9% | 1,142,268 | 11.9% | 58,660 | 5.1% | |
| Charges for services | 227,864 | 2.3% | 276,164 | 2.9% | (48,300) | -17.5% | |
| Fines and forfeitures | 170,547 | 1.7% | 103,764 | 1.1% | 66,783 | 64.4% | |
| Investment income | 35,287 | 0.3% | 23,893 | 0.2% | 11,394 | 47.7% | |
| Rental revenues | 72,416 | 0.7% | 65,147 | 0.7% | 7,269 | 11.2% | |
| Other revenues | 56,565 | 0.6% | 75,718 | 0.8% | (19,153) | -25.3% | |
| Total revenues | \$10,116,102 | 100.0% | \$9,591,026 | 100.0% | \$525,076 | 5.5% | |

Compared to the prior year, total General Fund revenues increase by \$525,076 or 5.5% in fiscal year 2004. Property taxes accounted for the bulk of the increase. The \$354,434 or 6.7% increase in property tax revenue was due to increases in taxable property values.

Expenditures in the General Fund are shown in the schedule below:

| Table 5 | | | | | | |
|--|--------------------|----------------|--------------------|----------------|-------------------|-------------------|
| General Fund Expenditures (in millions) | | | | | | |
| | | Percent | | Percent | Increase | Percentage |
| Expenditures | 2004 | of | 2003 | of | (Decrease) | Increase |
| | Amount | Total | Amount | Total | From 2003 | (Decrease) |
| General government services | \$2,039,996 | 20.2% | \$1,915,350 | 20.0% | \$124,646 | 6.5% |
| Public safety | 4,280,678 | 42.3% | 4,142,626 | 43.2% | 138,052 | 3.3% |
| Public works | 1,681,754 | 16.6% | 1,757,668 | 18.3% | (75,914) | -4.3% |
| Recreation and social services | 878,718 | 8.7% | 896,420 | 9.3% | (17,702) | -2.0% |
| Total expenditures | <u>\$8,881,146</u> | <u>87.8%</u> | <u>\$8,712,064</u> | <u>90.8%</u> | <u>\$169,082</u> | <u>1.9%</u> |

In fiscal year 2004, total General Fund expenditures increased by \$169,082 or 1.9% compared to the prior year. The bulk of the increase was due to a 3% cost of living wage increase per the terms of the union negotiated contract with the police officers. The increase in general government services was due to cost of living increases for the City's general employees, as well as the increased cost of health insurance benefits.

General Fund Budgetary Highlights

Over the course of the year, the City amended the General Fund budget twice. The budget amendments fall into two categories: (1) Amendments are approved for rollovers related to prior year encumbrances; and (2) supplemental appropriations to provide appropriations for various other needs which have arisen since the adoption of the budget. Even with these adjustments, actual disbursements were \$1.6 million below final budgeted amounts. The most significant contributor to this variance was a significant decrease of police service costs and various departmental savings due to staff vacancies and turnover.

The fiscal year 2004 amended final budget \$10,740,001 increased by 4 percent over the original General Fund budget of \$10,332,132. Correspondingly, the Consumer Price Index (or inflation index) from the U.S. Bureau of Labor Statistics – All Urban Consumers South Urban area for the past year was 2.1 %. Beyond base revenues of \$10,137,132 and \$425,000 in operating transfers from the Enterprise Funds, the Adopted Budget is balanced without using fund balance. The original General Fund budget consists of \$10,052,132 base expenditures and \$280,000 in operating transfers to the other funds.

Differences between the original budget and the final amended budget increased appropriations by \$407,000 and can be briefly summarized as follows:

- ◆ \$230,000 in miscellaneous increases in general government activities
- ◆ \$177,869 in carry forward of prior year encumbrances for all Departments

Of this increase, \$177,869 was to be budgeted from available fund balance and the remaining \$230,000 was to be budgeted from higher than expected tax, fees and intergovernmental revenues. During the year, however, expenditures were less than budgetary estimates, thus eliminating the need to draw upon the unreserved fund balance.

The difference between the estimated revenues and the actual revenues in the General Fund was approximately \$21,000 for FY 2004.

The difference between the appropriations and the actual expenditures in the General Fund was approximately \$1 million for fiscal year 2004. These variances are explained below:

- Cost reductions totaling \$490,576 in the public safety (police) budget resulting mainly from vacant positions during the fiscal year as well as lower than budgeted expenditures. In addition, various other departments realized approximately \$1 million in cost reductions also resulting from vacant positions and lower than budgeted expenditures.
- An increase in operating transfers of \$624,500 due to an additional \$325,000 to the Golf Course Fund and \$269,000 to the Sanitation Fund due to higher than budgeted expenditures and lower than budgeted revenues in those funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets (See Table 6). The City of Miami Springs' investment in capital assets for its governmental and business type activities as of September 30, 2004, increased by \$200,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, streets and median improvements, park facilities, and stormwater infrastructure. The total increase in the City of Miami Springs' investment in capital assets for the current fiscal year was nearly .7 percent.

Table 6
City of Miami Spring's Capital Assets
(net of depreciation, in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|-----------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|-------------------------|
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003-2004 |
| Land | \$ 1.8 | \$ 3.1 | \$ 1.3 | \$ - | \$ 3.1 | \$ 3.1 | 0.0% |
| Buildings | 1.3 | 3.7 | 2.4 | 0.0 | 3.7 | 3.7 | (4.7)% |
| Improvements other than buildings | 0.3 | 1.2 | 0.3 | 0.0 | 0.6 | 1.2 | 100.0% |
| Equipment | 1.4 | 2.1 | 1.5 | 0.6 | 2.9 | 2.7 | (10.4)% |
| Infrastructure | 5.3 | 5.6 | 11.7 | 11.7 | 17.0 | 17.3 | 1.8% |
| Construction in progress | 0.1 | 0.0 | 1.2 | 0.8 | 1.3 | 0.8 | -38.5% |
| Total | \$ 10.2 | \$ 15.7 | \$ 18.4 | \$ 13.1 | \$ 28.6 | \$ 28.8 | 0.7% |

This year's major capital asset additions before depreciation for the governmental activities equaled \$5.5 million and includes the following:

- Several new vehicles were purchased and equipment was replaced throughout the City (safety, computers, radios, maintenance equipment, etc.).
- The transfer of \$4.7 million in assets to governmental activities from business-type activity by the Golf Course Fund reclassification.

The business-type activities reported \$754,000 in capital asset additions before depreciation mainly for ongoing improvements to the water and sewer infrastructure system as well as the purchase of miscellaneous equipment and replacement water meters. Additionally, there were approximately \$4.7 million in capital assets transferred from business-type activities to governmental activities related to the reclassification of the golf course fund.

Additional information on the City's capital assets can be found in Note 6 on pages 41 to 43 of this report.

Long-term debt. At year-end the City had \$13.2 million in bonds outstanding— a decrease of .75 percent over last year— as shown in Table 7. The debt position of the City is summarized below and is more fully explained in Note 7 Long-Term Debt beginning on page 43.

Table 7
City of Miami Springs's Debt
(in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--------------------------|-------------------------|---------------|--------------------------|----------------|----------------|----------------|-------------------------|
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003-2004 |
| General obligation bonds | \$ 4.1 | \$ 4.0 | \$ - | \$ - | \$ 4.1 | \$ 4.0 | (13.8)% |
| Revenue bonds | 0.0 | 0.0 | 9.4 | 9.2 | 9.4 | 9.2 | (2.3)% |
| Notes payable | 0.0 | 0.0 | 0.9 | 0.8 | 0.9 | 0.8 | (2.3)% |
| Capital lease payable | 0.3 | 0.2 | 0.4 | 0.2 | 0.7 | 0.4 | (2.3)% |
| Total | \$ 4.4 | \$ 4.2 | \$ 10.7 | \$ 10.2 | \$ 15.1 | \$ 14.4 | (3.9)% |

Other Major Governmental Funds

Golf Course Fund-Revenues for the City's golf course operations were \$1,668,506 or 1.2% lower than the \$1,689,062 reported in FY2003. Expenditures for FY2004 were \$2,133,558 or 8.7% lower than the \$2,338,047 for FY2003. A significant part of the decrease in expenditures was due to the Golf Course Fund reclassification to a governmental fund where depreciation is not recorded. The Golf Course Fund had excess of expenditures over revenues of \$465,000 for the fiscal year ended September 30, 2004, this deficit was funded through an operating transfer from the General Fund of \$475,000.

Law Enforcement Fund-The Law Enforcement Fund is used to account for all forfeiture funds received from Federal, State and Local law enforcement agencies, these funds are restricted to law enforcement expenditures only. There were prior period adjustments of \$458,000 recorded in FY2004 since it was discovered that the General Fund had paid \$458,000 in law enforcement expenditures in prior years and the associated costs were not properly recognized by the Law

Enforcement Fund. This adjustment plus the current year net change in fund balance of \$119,000 resulted in a total reduction of ending fund balance of approximately \$577,000.

Revenues for FY2004 were \$167,000 as compared to \$337,000 in FY2003. The reduction was due to a decrease in forfeiture funds being allotted to the City for the current fiscal year.

Economic Factors and Next Year's Budgets and Ratios

The City of Miami Springs is located in Southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, comprises approximately 2.8 square miles with approximately 13,750 full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its employees.

The City recognizes the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. The City is aggressively pursuing various avenues of economic development and revitalization within the City as well as studying the possibility of annexation of areas west and south of the City which have a significant commercial base.

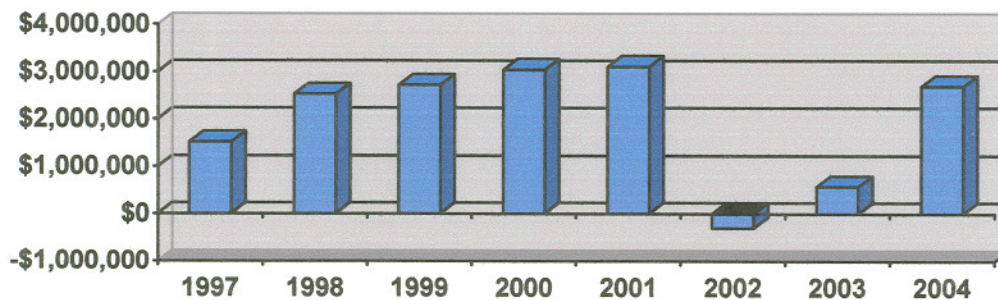
The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

For the business-type and certain governmental activities (building inspections, recreational programs, etc.) the user pays a related fee or charge associated with the service.

Revenues in fiscal year 2005 adopted General Fund budget are \$10.7 million, an increase of 3.7 percent from fiscal year 2004 total revenues \$10.3 million. Property taxes (benefiting from the increases in assessed valuations) are expected to lead to this increase. The City will use these revenues to fund current services and the expected impact of inflation on salaries and benefits.

Figure A-7

**General Fund Unrestricted Surplus(Deficit)
For the Fiscal Years ended September 30, 1996-2004**

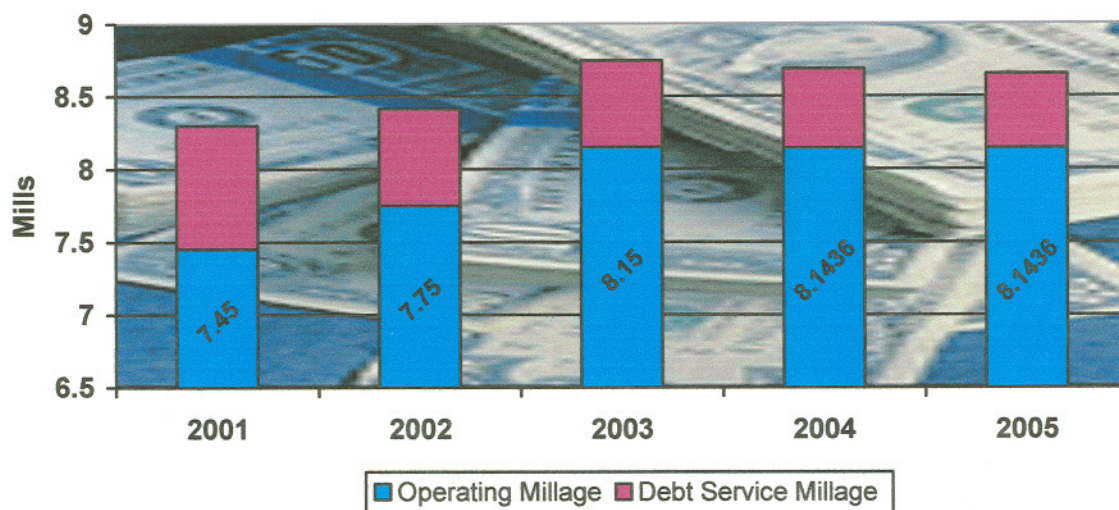


During the current fiscal year, unreserved fund balance in the general Fund increased to \$2.7 million compared to \$574,098 from last year, which was restated to reflect various prior period adjustments totaling \$1.1 million—See Note 3 Fund Equity for more details. This \$2.7 million is approximately equal to 3.5 months of General Fund operating expenditures. The City, as can be seen at Figure A-7, is beginning to re-build its unrestricted fund balance, a portion of unrestricted fund balance will be used to preclude or moderate future tax and user fee increases.

In 1995, the state of Florida limited all local governments' ability to increase property taxable values in any given year to 3 percent or cost of living, whichever is lower. The following graph illustrates that the City has maintained a stable property tax rate for the past three years. For many years, the City, just like many cities across the country, had to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

The operating millage rate for calendar year 2004—collected in fiscal year 2005 is 8.1436 per thousand dollars of taxable value, and this marks the second consecutive year that the millage rate has remained the same. Overall, the adopted budget is an economical and prudent financial plan that will ensure quality public services and needed capital improvements for both today and in the future.

**Figure A-8
Total City Millage**



Fiscal year 2005 budgeted expenditures and transfers are expected to be \$10.3 million, or .2 percent, under fiscal year 2004. The largest increments are increased salaries and cost-of-living adjustments based on labor agreements with the police employees' unions, reductions are expected thru staff reductions and improved cost controls. If estimates are realized, the City's budgetary General Fund balance is expected to increase modestly by the close of 2005.

Requests for Information

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. The financial statements are available on the City's website at www.miamisprings-fl.gov. If you have questions about the report or need additional financial information, contact William Alonso, CPA, Finance Director, City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

BASIC FINANCIAL STATEMENTS

CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|---------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash and equity in pooled cash and investments | \$ 4,963,546 | \$ 379,879 | \$ 5,343,425 |
| Investments | - | 399,270 | 399,270 |
| Accounts receivable - net | 829,781 | 634,284 | 1,464,064 |
| Inventories | 142,842 | - | 142,842 |
| Net pension asset | 132,006 | - | 132,006 |
| Other assets | 144,747 | - | 144,747 |
| Deferred charges | 40,223 | - | 40,223 |
| Restricted assets: | | | |
| Cash and equity in pooled cash and investments | 100,821 | 370,637 | 471,458 |
| Capital assets: | | | |
| Land | 3,076,080 | - | 3,076,080 |
| Construction in progress | 29,750 | 798,856 | 828,606 |
| Building | 5,588,398 | - | 5,588,398 |
| Equipment | 3,860,222 | 1,621,273 | 5,481,496 |
| Improvements other than building | 2,366,611 | 4,081,918 | 6,448,529 |
| Infrastructure | 14,963,444 | 19,351,670 | 34,315,114 |
| Total capital assets | 29,884,506 | 25,853,717 | 55,738,224 |
| Less accumulated depreciation | (14,150,580) | (12,743,936) | (26,894,517) |
| Total capital assets - net | 15,733,926 | 13,109,781 | 28,843,707 |
| Total assets | <u>\$ 22,087,891</u> | <u>\$ 14,893,851</u> | <u>\$ 36,981,741</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 554,680 | \$ 778,446 | \$ 1,333,126 |
| Accrued payroll | 309,895 | 50,228 | 360,124 |
| Accrued compensated absences | 131,207 | 87,282 | 218,489 |
| Customer deposits | 4,420 | 370,637 | 375,057 |
| Deferred revenue | 61,005 | 36,041 | 97,046 |
| Noncurrent liabilities: | | | |
| The amount due in one year | 516,081 | 577,313 | 1,093,394 |
| The amount due in more than one year | 4,589,890 | 9,635,317 | 14,225,206 |
| Total liabilities | <u>6,167,179</u> | <u>11,535,264</u> | <u>17,702,442</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 10,627,955 | 2,947,838 | 13,575,792 |
| Restricted for: | | | |
| Law enforcement | 1,049,271 | - | 1,049,271 |
| Debt service | 100,821 | - | 100,821 |
| Roads and transportation | 837,942 | - | 837,942 |
| Recreation and culture | 51,621 | - | 51,621 |
| Other purposes | 26,494 | - | 26,494 |
| Net pension asset | 132,006 | - | 132,006 |
| Unrestricted | 3,094,601 | 410,750 | 3,505,352 |
| Total net assets | <u>\$ 15,920,711</u> | <u>\$ 3,358,588</u> | <u>\$ 19,279,299</u> |

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--|-------------------------|---------------------------------|---|--|--|-----------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
| Functions/programs | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 2,276,618 | \$ 453,220 | \$ - | \$ (1,823,398) | \$ - | \$ (1,823,398) |
| Public safety | 4,415,911 | 349,616 | 31,780 | (4,034,515) | - | (4,034,515) |
| Public works | 1,657,463 | - | - | (1,657,463) | - | (1,657,463) |
| Recreation and social services | 3,496,884 | 1,834,051 | 146,870 | (1,515,963) | - | (1,515,963) |
| Economic and community development | 315,083 | - | 349,786 | 34,703 | - | 34,703 |
| Interest on long-term debt | 218,302 | - | - | (218,302) | - | (218,302) |
| Total governmental activities | <u>12,380,262</u> | <u>2,636,887</u> | <u>528,436</u> | <u>(9,214,939)</u> | <u>-</u> | <u>(9,214,939)</u> |
| Business-type activities: | | | | | | |
| Water & Sewer | 5,039,059 | 4,885,701 | - | - | (153,357) | (153,357) |
| Sanitation | 1,774,754 | 1,563,836 | - | - | (210,917) | (210,917) |
| Stormwater | 234,406 | 273,289 | 16,994 | - | 55,878 | 55,878 |
| Total business activities | <u>7,048,218</u> | <u>6,722,827</u> | <u>16,994</u> | <u>-</u> | <u>(308,397)</u> | <u>(308,397)</u> |
| Total | <u>\$ 19,428,480</u> | <u>\$ 9,359,714</u> | <u>\$ 545,430</u> | <u>\$ (9,214,939)</u> | <u>\$ (308,397)</u> | <u>\$ (9,523,336)</u> |
| General revenues: | | | | | | |
| Property taxes, levied for general purpose | | | | \$ 5,638,375 | \$ - | \$ 5,638,375 |
| Property taxes, levied for debt service | | | | 393,335 | - | 393,335 |
| Utility taxes | | | | 1,570,102 | - | 1,570,102 |
| Franchise fees | | | | 747,491 | - | 747,491 |
| Intergovernmental | | | | 1,989,053 | - | 1,989,053 |
| Investment income | | | | 56,826 | 6,581 | 63,406 |
| Miscellaneous | | | | 109,304 | 7,027 | 116,331 |
| Transfers | | | | (304,903) | 304,903 | - |
| Total general revenues and transfers | | | | <u>10,199,582</u> | <u>318,511</u> | <u>10,518,093</u> |
| Change in net assets | | | | <u>984,643</u> | <u>10,114</u> | <u>994,757</u> |
| Net assets, October 1 , as restated | | | | <u>14,936,068</u> | <u>3,348,475</u> | <u>18,284,542</u> |
| Net assets, September 30 | | | | <u>\$ 15,920,711</u> | <u>\$ 3,358,588</u> | <u>\$ 19,279,299</u> |

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2004

| | <u>Major Funds</u> | | | | |
|--|---------------------|--------------------|------------------------|---------------------------------|---------------------------------|
| | <u>General</u> | <u>Golf Course</u> | <u>Law Enforcement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| <u>ASSETS</u> | | | | | |
| Cash and equity in pooled cash and investments | \$ 2,900,005 | \$ 3,458 | \$ 1,137,949 | \$ 922,134 | \$ 4,963,546 |
| Accounts receivable - net | 470,830 | 10,199 | - | 348,751 | 829,781 |
| Inventories | 90,772 | 52,070 | - | - | 142,842 |
| Due from other funds | 169,056 | - | 745 | - | 169,801 |
| Restricted assets: | | | | | |
| Cash and equity in pooled cash and investments | - | - | - | 100,821 | 100,821 |
| Deferred charges | 40,223 | - | - | - | 40,223 |
| Other assets | 144,747 | - | - | - | 144,747 |
| Total assets | <u>\$ 3,815,632</u> | <u>\$ 65,728</u> | <u>\$ 1,138,694</u> | <u>\$ 1,371,706</u> | <u>\$ 6,391,761</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Accounts payable | \$ 438,196 | \$ 21,830 | \$ 1,342 | \$ 93,312 | \$ 554,680 |
| Accrued payroll | 291,396 | 11,936 | - | 6,564 | 309,895 |
| Accrued compensated absences | 131,207 | - | - | - | 131,207 |
| Due to other funds | - | - | - | 169,801 | 169,801 |
| Escrow deposits | 4,420 | - | - | - | 4,420 |
| Deferred revenues | 61,005 | - | - | - | 61,005 |
| Total liabilities | <u>926,225</u> | <u>33,766</u> | <u>1,342</u> | <u>269,677</u> | <u>1,231,010</u> |
| <u>FUND BALANCES</u> | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 70,817 | 5,276 | 88,081 | 111,838 | 276,011 |
| Inventories | 90,772 | - | - | - | 90,772 |
| Deferred charges | 40,223 | - | - | - | 40,223 |
| Law enforcement | - | - | 1,049,271 | - | 1,049,271 |
| Golf course fund | - | 26,687 | - | - | 26,687 |
| Special revenue fund | - | - | - | 889,370 | 889,370 |
| Debt service fund | - | - | - | 100,821 | 100,821 |
| Unreserved reported in: | | | | | |
| General fund, undesignated | 2,687,596 | - | - | - | 2,687,596 |
| Total fund balances | <u>2,889,407</u> | <u>31,963</u> | <u>1,137,352</u> | <u>1,102,029</u> | <u>5,160,750</u> |
| Total liabilities and fund balances | <u>\$ 3,815,632</u> | <u>\$ 65,728</u> | <u>\$ 1,138,694</u> | <u>\$ 1,371,705</u> | <u>\$ 6,391,760</u> |

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

Fund balances - total government funds (Page 23) \$ 5,160,750

Amounts reported for governmental activities in the statement
of net assets are different as a result of:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

| | |
|-------------------------------|--------------|
| Governmental capital assets | 29,884,506 |
| Less accumulated depreciation | (14,150,580) |

| | |
|-------------------|---------|
| Net pension asset | 132,006 |
|-------------------|---------|

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported in
the governmental funds.

| | | |
|----------------------------|----|------------------------------|
| Governmental bonds payable | \$ | (3,970,000) |
| Capital leases | | (234,847) |
| Compensated absences | | (901,125) <u>(5,105,972)</u> |

Net assets of governmental activities (Page 21) \$ 15,920,711

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Major Funds</u> | | | <u>Other</u> | <u>Total</u> |
|--|---------------------|--------------------|------------------------|---------------------------|---------------------------|
| | <u>General</u> | <u>Golf Course</u> | <u>Law Enforcement</u> | <u>Governmental Funds</u> | <u>Governmental Funds</u> |
| Revenues: | | | | | |
| Taxes and franchise fees | \$ 6,385,866 | \$ - | \$ - | \$ 393,335 | \$ 6,779,201 |
| Charges for services | 227,864 | 1,668,088 | - | - | 1,895,953 |
| Public service taxes | 1,570,102 | - | - | - | 1,570,102 |
| Intergovernmental | 1,200,928 | - | - | 1,305,830 | 2,506,758 |
| Licenses and permits | 396,527 | - | - | - | 396,527 |
| Fines and forfeitures | 170,547 | - | 145,601 | 3,362 | 319,510 |
| Interest | 35,287 | 147 | 21,259 | 133 | 56,826 |
| Miscellaneous | 128,981 | 271 | - | 15,680 | 144,932 |
| Total revenues | <u>10,116,102</u> | <u>1,668,506</u> | <u>166,860</u> | <u>1,718,340</u> | <u>13,669,808</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,941,471 | - | - | 294,527 | 2,235,998 |
| Public safety | 4,131,263 | - | 120,878 | - | 4,252,141 |
| Public works | 1,592,576 | - | - | - | 1,592,576 |
| Recreation and social services | 872,307 | 2,059,436 | - | 281,989 | 3,213,733 |
| Economic and community development | - | - | - | 309,155 | 309,155 |
| Debt service: | | | | | |
| Principal retirement | 87,779 | 58,642 | - | 190,000 | 336,421 |
| Interest and fiscal charges | 7,935 | 5,250 | - | 205,118 | 218,302 |
| Capital outlay: | | | | | |
| General government | 2,811 | - | - | 525,163 | 527,974 |
| Public safety | 149,415 | - | 165,471 | - | 314,887 |
| Public works | 89,178 | - | - | - | 89,178 |
| Recreation and social services | 6,411 | 10,229 | - | 2,084 | 18,724 |
| Economic and community development | - | - | - | 71,362 | 71,362 |
| Total expenditures | <u>8,881,147</u> | <u>2,133,558</u> | <u>286,349</u> | <u>1,879,396</u> | <u>13,180,449</u> |
| Excess(deficiency) of revenues over expenditures | <u>1,234,956</u> | <u>(465,051)</u> | <u>(119,489)</u> | <u>(161,056)</u> | <u>489,359</u> |
| Other financing (uses) sources: | | | | | |
| Transfers in | 568,682 | 475,000 | - | 160,173 | 1,203,855 |
| Transfers out | (904,473) | - | - | (179,281) | (1,083,754) |
| Total other financing sources (uses) | <u>(335,791)</u> | <u>475,000</u> | <u>-</u> | <u>(19,108)</u> | <u>120,101</u> |
| Net change in fund balances | <u>899,165</u> | <u>9,949</u> | <u>(119,489)</u> | <u>(180,165)</u> | <u>609,460</u> |
| Fund balances - beginning | 853,643 | 22,014 | 1,715,262 | 1,382,913 | 3,973,832 |
| Prior period adjustments | <u>1,136,599</u> | <u>-</u> | <u>(458,421)</u> | <u>(100,720)</u> | <u>577,458</u> |
| Fund balances - beginning, as restated | <u>1,990,242</u> | <u>22,014</u> | <u>1,256,841</u> | <u>1,282,194</u> | <u>4,551,290</u> |
| Fund balances - ending | <u>\$ 2,889,407</u> | <u>\$ 31,963</u> | <u>\$ 1,137,352</u> | <u>\$ 1,102,029</u> | <u>\$ 5,160,750</u> |

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FISCAL YEAR ENDED SEPTEMBER 30, 2004

Amounts reported for governmental activities in the statement
of activities (Page 25) are different as a result of:

| | | |
|--|----|---------|
| Net change in fund balances - total government funds (Page 19) | \$ | 609,460 |
|--|----|---------|

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives.

| | | | |
|----------------------------------|----|-----------|--------|
| Expenditures for capital outlays | \$ | 1,022,124 | |
| Less current year depreciation | | (983,362) | 38,762 |

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|--------------------|--|----------------|
| Principal payments | | <u>336,421</u> |
|--------------------|--|----------------|

| | | |
|---|----|----------------|
| Change in net assets of governmental activities (Page 22) | \$ | <u>984,643</u> |
|---|----|----------------|

CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2004

| <u>ASSETS</u> | <u>Water & Sewer</u> | <u>Sanitation</u> | <u>Stormwater</u> | <u>Total</u> |
|---|--------------------------|-------------------|-------------------|--------------|
| Current assets: | | | | |
| Cash and equity in pooled cash and investments | \$ 63,431 | \$ 19,392 | \$ 696,326 | \$ 779,149 |
| Accounts receivable - net | 438,428 | 130,689 | 65,167 | 634,284 |
| Total current assets | 501,859 | 150,080 | 761,493 | 1,413,432 |
| Non-current assets: | | | | |
| Restricted assets: | | | | |
| Cash and equity in pooled cash and investments | 370,637 | - | - | 370,637 |
| Capital assets: | | | | |
| Construction in progress - infrastructure | 758,709 | - | 40,148 | 798,856 |
| Equipment | 337,122 | 1,092,680 | 191,471 | 1,621,273 |
| Improvements other than building | 1,327,147 | - | 2,754,771 | 4,081,918 |
| Infrastructure | 19,351,670 | - | - | 19,351,670 |
| Total capital assets | 21,774,648 | 1,092,680 | 2,986,389 | 25,853,717 |
| Less accumulated depreciation | (11,046,311) | (659,924) | (1,037,702) | (12,743,936) |
| Total capital assets - net | 10,728,337 | 432,756 | 1,948,688 | 13,109,781 |
| Total noncurrent assets | 11,098,974 | 432,756 | 1,948,688 | 13,480,418 |
| Total assets | 11,600,833 | 582,836 | 2,710,181 | 14,893,850 |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | 689,864 | 73,415 | 15,167 | 778,446 |
| Accrued liabilities | 21,798 | 26,060 | 2,370 | 50,228 |
| Current portion of bonds payable | 375,000 | - | - | 375,000 |
| Current portion of notes payable | 82,620 | - | 25,000 | 107,620 |
| Deferred revenues | 36,041 | - | - | 36,041 |
| Customer deposits | 370,637 | - | - | 370,637 |
| Capital lease | - | 74,692 | - | 74,692 |
| Compensated absences | 25,654 | 58,390 | 3,238 | 87,282 |
| Total current liabilities | 1,601,613 | 232,556 | 45,776 | 1,879,945 |
| Non-current liabilities: | | | | |
| Bonds payable | 8,782,815 | - | - | 8,782,815 |
| Notes payable | 495,119 | - | 225,000 | 720,119 |
| Compensated absences | 6,663 | 43,402 | 620 | 50,685 |
| Capital lease | - | 101,698 | - | 101,698 |
| Total noncurrent liabilities | 9,284,597 | 145,100 | 225,620 | 9,655,317 |
| Total liabilities | 10,886,210 | 377,656 | 271,396 | 11,535,262 |
| <u>NET ASSETS</u> | | | | |
| Invested in capital assets, net of related debt | 992,784 | 256,366 | 1,698,688 | 2,947,838 |
| Unrestricted(deficit) | (278,160) | (51,186) | 740,097 | 410,750 |
| Total net assets | \$ 714,623 | \$ 205,180 | \$ 2,438,785 | \$ 3,358,588 |

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | Business-type Activities - <u>Enterprise Funds</u> | | | |
|--|---|-------------------|---------------------|---------------------|
| | <u>Water & Sewer</u> | <u>Sanitation</u> | <u>Stormwater</u> | <u>Total</u> |
| Operating revenues: | | | | |
| Charges for services | \$ 4,881,587 | \$ 1,563,836 | \$ 273,289 | \$ 6,718,713 |
| Total operating revenues | <u>4,881,587</u> | <u>1,563,836</u> | <u>273,289</u> | <u>6,718,713</u> |
| Operating expenses: | | | | |
| Administrative costs | 697,091 | 673,163 | 83,764 | 1,454,019 |
| Operations and maintenance | 384,840 | 164,003 | 52,745 | 601,587 |
| Water and disposal costs | 2,477,756 | 729,000 | - | 3,206,756 |
| Depreciation and amortization | 657,706 | 121,494 | 97,896 | 877,096 |
| Total operating expenses | <u>4,217,392</u> | <u>1,687,660</u> | <u>234,406</u> | <u>6,139,458</u> |
| Operating income (loss) | <u>664,195</u> | <u>(123,823)</u> | <u>38,884</u> | <u>579,255</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest income | 6,310 | 231 | 40 | 6,581 |
| Interest expense and fees | (471,663) | (12,094) | - | (483,757) |
| Misc income(expenses) | 9,641 | 1,500 | 16,994 | 28,136 |
| Total nonoperating revenues (expenses) | <u>(455,711)</u> | <u>(10,363)</u> | <u>17,034</u> | <u>(449,041)</u> |
| Income (Loss) before transfers | 208,483 | (134,187) | 55,918 | 130,215 |
| Transfer from other funds | - | 269,300 | 35,603 | 304,903 |
| Transfer to other funds | <u>(350,004)</u> | <u>(75,000)</u> | <u>-</u> | <u>(425,004)</u> |
| Change in net assets | (141,521) | 60,113 | 91,521 | 10,113 |
| Total net assets, October 1 | 856,144 | 145,066 | 2,018,960 | 3,020,171 |
| Prior period adjustments | <u>-</u> | <u>-</u> | <u>328,304</u> | <u>328,304</u> |
| Total net assets, October 1, as restated | <u>856,144</u> | <u>145,066</u> | <u>2,347,264</u> | <u>3,348,475</u> |
| Total net assets, September 30 | <u>\$ 714,623</u> | <u>\$ 205,180</u> | <u>\$ 2,438,785</u> | <u>\$ 3,358,588</u> |

See notes to basic financial statements.

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | Business-type Activities - Enterprise Funds | | | |
|--|--|---------------------|-------------------|---------------------|
| | Water & Sewer | Sanitation | Stormwater | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers, governments and other funds | \$ 4,849,904 | \$ 1,451,999 | \$ 552,344 | \$ 6,854,247 |
| Cash paid to suppliers | (3,212,247) | (955,969) | (39,515) | (4,207,731) |
| Cash paid to employees | (561,071) | (610,150) | (86,952) | (1,258,173) |
| Net cash provided by (used in) operating activities | <u>1,076,587</u> | <u>(114,121)</u> | <u>425,877</u> | <u>1,388,343</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers from other funds | - | 269,300 | 35,603 | 304,903 |
| Transfers to other funds | (350,004) | (75,000) | - | (425,004) |
| Net cash (used in) provided by noncapital financing activities | <u>(350,004)</u> | <u>194,300</u> | <u>35,603</u> | <u>(120,102)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and construction of fixed assets | (232,500) | - | (73,078) | (305,578) |
| Principal retirements of capital debt | (383,971) | (69,887) | - | (453,858) |
| Interest paid on capital debt | (471,663) | (12,094) | - | (483,757) |
| Net cash used in capital and related financing activities | <u>(1,088,134)</u> | <u>(81,981)</u> | <u>(73,078)</u> | <u>(1,243,193)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest and other income | 12,974 | 9,755 | 17,034 | 39,763 |
| Net cash provided by investing activities | <u>12,974</u> | <u>9,755</u> | <u>17,034</u> | <u>39,763</u> |
| NET (DECREASE) INCREASE IN POOLED CASH AND CASH EQUIVALENTS | <u>(348,578)</u> | <u>7,954</u> | <u>405,435</u> | <u>64,811</u> |
| POOLED CASH AND CASH EQUIVALENTS, OCTOBER 1 | <u>790,168</u> | <u>11,438</u> | <u>290,890</u> | <u>1,092,496</u> |
| POOLED CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | <u>\$ 441,590</u> | <u>\$ 19,392</u> | <u>\$ 696,325</u> | <u>\$ 1,157,307</u> |
| POOLED CASH AND CASH EQUIVALENTS PER STATEMENT OF NET ASSETS | | | | |
| Unrestricted | \$ 63,431 | \$ 19,392 | \$ 696,326 | \$ 779,149 |
| Restricted | 370,637 | - | - | 370,637 |
| TOTAL, SEPTEMBER 30 | <u>\$ 434,068</u> | <u>\$ 19,392</u> | <u>\$ 696,326</u> | <u>\$ 1,149,785</u> |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 664,195 | \$ (123,824) | \$ 38,884 | \$ 579,254 |
| Adjustments to reconcile operating income (loss) to net cash provided by(used in) operating activities: | | | | |
| Depreciation and amortization | 657,706 | 121,494 | 97,896 | 877,096 |
| Change in assets and liabilities: | | | | |
| (Increase) in accounts receivable | (32,986) | (25,137) | (36,500) | (94,622) |
| Decrease in other receivables | - | - | 328,304 | 328,304 |
| Increase (decrease) in accounts payable and accrued liabilities | (211,238) | (1,760) | 13,731 | (199,266) |
| (Decrease) in accrued liabilities | (8,956) | (40,707) | (145) | (49,808) |
| (Decrease) in due to other funds | (4,399) | (86,903) | (12,788) | (104,090) |
| Increase in customer deposits | 8,270 | - | - | 8,270 |
| Increase(decrease) in other liabilities | 7,405 | 42,715 | (3,506) | 46,614 |
| (Decrease) in deferred revenues | (3,410) | - | - | (3,410) |
| Total adjustments | <u>412,392</u> | <u>9,703</u> | <u>386,993</u> | <u>809,088</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 1,076,587</u> | <u>\$ (114,121)</u> | <u>\$ 425,877</u> | <u>\$ 1,388,342</u> |

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MIAMI SPRINGS, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Miami Springs, Florida (the "City") is a political subdivision of the State of Florida located in Miami-Dade County. The City operates under a Council-Manager form of government. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed City Manager. The City provides public safety, general government, recreation and public works services to its residents. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively. The accompanying financial statements present the City for the fiscal year ended September 30, 2004.

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. At September 30, 2004, the City had no entities that met the definition for inclusion as a blended or discretely presented component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The city-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The **general fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **law enforcement fund** accounts for the resources accumulated from the sale of forfeited property as well as federal grants, all proceeds are to be used for law enforcement purposes only.

The **golf course fund** accounts for the operations of the City of Miami Springs Golf Course and Country Club. This fund was reported as a business-type activity in prior years and reclassified as a governmental fund for FY 2004.

The government reports the following major proprietary funds:

The **water and sewer fund** accounts for the provision of potable water to residents and the corresponding sewage disposal, which is processed by Miami-Dade County. The City operates the water treatment facility, water distribution system, sewage transportation pipelines, and sewage pumping stations. The City reported the water and sewer fund as separate funds in prior years, for FY2004 both funds were combined into a Water & Sewer Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The **sanitation fund** accounts for the operations of solid waste collection services, which are funded through user charges.

The **stormwater fund** accounts for the infrastructure and operations of stormwater transportation, which is funded through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise fund functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water & sewer, sanitation, and stormwater fund, are charges to customers for services.

The water & sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is City policy to use restricted resources first, and then unrestricted resources as needed.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City maintains a pooled cash account for all funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

The City's investments are reported at fair value. The City's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Operating revenues in the Water and Sewer Enterprise Fund are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption period and billed in October.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Uncollectible accounts receivable allowances are based on historical trends.

F. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Miami Dade County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Council and the Miami-Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2004 was 8.1436 mills (\$8.1436 per \$1,000 of taxable assessed valuation). In addition, for the year ended September 30, 2004, the City assessed a debt service levy millage rate of .543 (\$0.543 per \$1,000 of taxable assessed valuation).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Prepaid Costs

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Restricted Assets

Certain assets of the debt service fund have been classified as restricted because their use is restricted by a bond indenture agreement for the City's debt service requirements.

The balances of the restricted asset accounts in the enterprise funds' is comprised of \$370,270 which represents customer deposits placed with the City for utility services.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|
| Buildings | 50 |
| Improvements | 20-30 |
| Public domain infrastructure | 40 |
| System infrastructure | 50 |
| Furniture and equipment | 5-10 |

J. Deferred Revenues

Deferred revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The deferred items consist primarily of license and permit revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee serves.

It is the City's sick leave policy to permit employees to accumulate earned but unused sick pay benefits.

The City's vacation policy is that earned vacation must be taken within one year of the employee's anniversary date, as there is no carryover from one period to another. Unused vacation pay, if any, is paid with the employee's termination or retirement.

The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are amortized over the term of the related debt. For proprietary fund types, bonds payable are reported net of the applicable bond premium, discount, and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each is intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of fund equity available for any lawful use.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City has no material violations of finance-related legal and contractual obligations.

Fund Accounting Requirements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, bond covenants, and segregation for management purposes.

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

| <u>Revenue Source</u> | <u>Legal Restrictions of Use</u> |
|---------------------------------------|----------------------------------|
| Gas Tax | Roads, sidewalks, streets |
| Transportation Tax | Transportation and roads |
| Nutrition Program for the Elderly | Grant Program Expenditures |
| Department of Health & Human Services | Grant Program Expenditures |
| Federal Forfeitures | Law Enforcement |
| Federal Emergency Management Agency | Disaster mitigation |

For the year ended September 30, 2004, the City complied, in all material respects, with these revenue restrictions.

Excesses of expenditures over appropriations

For the year ended September 30, 2004, expenditures exceeded appropriations in the Road and Transportation, Grants and Hurricane Funds. These overexpenditures were funded by greater than anticipated revenues.

3. FUND EQUITY

Adjustments to Net Assets of Government-Wide Financial Statements

As part of a comprehensive review of the City's net assets, management discovered that accumulated depreciation had been improperly accounted for in the prior year. Accordingly, the City's net assets balance at September 30, 2003 has been restated in order to properly report accumulated depreciation in the current fiscal year. Additionally, adjustments were made to governmental net assets as a result of the reclassification of the Golf Course Fund from a proprietary activity to a governmental activity.

3. FUND EQUITY (CONTINUED)

Net Assets-Governmental Activities

| | |
|---|---------------------|
| Balance at September 30, 2003 (as reported) | \$ 9,457,711 |
| Adjustments to Net Assets: | |
| Adjustment to properly report accumulated depreciation | 761,363 |
| Reclassification of Golf Course Fund from a business-type activity to a governmental activity | <u>4,716,994</u> |
| Restated Balance at September 30, 2003 | <u>\$14,936,068</u> |

Adjustments and reclassification to Fund Balance of Fund Financial Statements

As part of a comprehensive review of account activity within the City's funds, management identified a number of transactions that had been improperly accounted for in prior periods. Accordingly, the City's fund balances at September 30, 2003 for the General Fund, the Law Enforcement Fund, the Road and Transportation Fund, the Senior Center Fund, the Grants Fund, the Hurricane Fund, and the Stormwater Fund have been restated in order to properly classify amounts in the current fiscal year.

General Fund

- \$844,225 in prior period adjustments to the General Fund were required as a result of the City's review of the activities of the Law Enforcement Trust Fund, the Hurricane Fund and the Grants Fund. This comprehensive review was performed by an outside consultant and covered the fiscal years 1997 thru 2003. As a result of this review, it was determined that a significant amount of grant related expenditures had been paid by the General Fund but never properly recorded by the fund receiving the grant revenue. The following amounts were adjusted to General Fund Equity; \$458,421 from the Law Enforcement Trust Fund, \$251,586 from the Hurricane Fund and \$134,218 from the Grants fund.
- \$66,134 in prior period adjustments to the general fund related to insurance costs for the fiscal year ended September 30, 2003 that were recorded as prepaid expenses but should have been expensed in FY 2003.
- In past years, the City recorded a current liability for compensated absences based on an estimated amount expected to be paid in the following year. However, based on GASB Interpretation No. 6, the accumulation of financial resources in a governmental fund for the eventual payment of unmatured liabilities does not constitute an outflow of current financial resources. Therefore, the reclassification of the previously reported expense of \$358,508 for compensated absences in the governmental funds has been recorded as a prior period adjustment, restating the beginning fund balance of the General Fund and the Other Non-Major Governmental Funds.

Non-Major Governmental Funds

- The following prior period adjustments were made to account for revenues received and recorded in FY 2004 which should have been recognized as of September 30, 2003; \$59,808 in the Road and Transportation Fund, \$54,169 in the Senior Center Fund and \$35,603 in the Grants Fund.
- The following prior period adjustments were made to account for grant expenditures paid by the General Fund not properly recognized within the individual grant funds: \$168,409 from the Hurricane Fund and \$89,834 from the Grants Fund.

3. FUND EQUITY (CONTINUED)

Adjustments and reclassification of Fund Balance-Fund Financial Statements (Continued)

- \$7,943 related to the adjustments to the current portion of the compensated absences liability for the Senior Center Fund.

Proprietary Funds

- \$328,304 in prior period adjustments to the Stormwater Fund related to grant revenues for FY2003 that were not accrued as of September 30, 2003.
- The City reclassified its Golf Course Fund from a proprietary fund to a special revenue fund as of October 1, 2003. This determination was made based on the Fund's inability to generate sufficient revenues to cover its own operating costs. The Fund also does not charge service fees to cover its debt service payments. The golf course was acquired with the proceeds generated from the issuance of general obligation debt. A debt service levy is imposed on the taxpayers to cover the annual debt service payments.

The following restatements resulted in adjustments to September 30, 2003 fund balances as follows:

General Fund

| | |
|---|--------------------|
| Balance at September 30, 2003 (as reported) | \$853,643 |
| Adjustments to Fund Balance: | |
| To record grant expenditures paid by the general fund but not properly charged to funds receiving the grant revenues in prior years | 844,225 |
| To record expenditures not recorded in prior years | (66,134) |
| To adjust the current portion of compensated absences | <u>358,508</u> |
| Total adjustments to fund balance | <u>1,136,599</u> |
| Restated Balance at September 30, 2003 | <u>\$1,990,242</u> |

Law Enforcement Fund

| | |
|--|--------------------|
| Balance at September 30, 2003 (as reported) | \$1,715,262 |
| Adjustments to Fund Balance: | |
| To record recognition of grant expenditures from prior periods | <u>(458,421)</u> |
| Restated Balance at September 30, 2003 | <u>\$1,256,841</u> |

Non-major Governmental Funds

| | |
|--|--------------------|
| Balance at September 30, 2003 (as reported) | \$1,382,913 |
| Adjustments to Fund Balance: | |
| To record recognition of grant expenditures from prior periods | (258,243) |
| To record prior year revenues not accrued | 149,580 |
| To adjust the current portion of compensated absences | <u>7,943</u> |
| Total adjustments to fund balance | <u>(100,720)</u> |
| Restated Balance at September 30, 2003 | <u>\$1,282,194</u> |

Proprietary Funds

| | |
|--|--------------------|
| Fund Equity at September 30, 2003 (as reported) | \$7,636,926 |
| Adjustments to equity: | |
| To record prior year revenues not accrued | 328,304 |
| To reclassify the Golf Course Fund from a proprietary fund to a special revenue fund | <u>(4,616,755)</u> |
| Restated Balance at September 30, 2003 | <u>\$3,348,475</u> |

4. DEPOSITS AND INVESTMENTS

The City, for accounting and investment purposes, maintains a cash and investment pool for use by all City funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. Each fund's portion of this pool is displayed on the balance sheets as cash and equity in pooled cash and investments. Income earned on pooled cash and investments is allocated to the respective funds based on relative month-end balances.

In addition, cash and investments are separately held by the City's Enterprise Funds and related investment income is recorded in these funds. Deposits consist of interest and non-interest bearing demand accounts and certificates of deposit. All of the City's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. All City deposits are Category 1 credit risk as defined by GASB Statement No. 3, which are insured or collateralized with securities held by the City or by its agent in the City's name.

The book value of the City's deposits on the balance sheet date was \$2,088,018. The bank balance of the City's deposits as of September 30, 2004 was \$2,329,192.

The City's investment policy is governed by local ordinances, resolutions and bond covenants. Allowable investments include United States government obligations, guaranteed United States agency short-term issues, Florida bank certificates of deposit, and investments authorized by City Commission.

The City's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. The City invested throughout the year in the SBA Investment Pool. The SBA is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund. All SBA funds reported by the City are reported at fair value consistent with the valuation similar to a 2A-7 pool.

Investments are classified as to credit risk, which are summarized below:

- | | |
|------------|---|
| Category 1 | Insured or registered, or securities held by the City or its agent in the City's name. |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. |

4. DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at September 30, 2004 are summarized below by type and level of risk assumed and are carried at fair value.

| | <u>Category 1</u> | <u>Fair Value</u> |
|---|-------------------|--------------------|
| Certificates of Deposit | \$1,103,014 | \$1,103,014 |
| Investments not subject to risk categorization: | | |
| State Board of Administration | | <u>3,009,356</u> |
| Total investments | | <u>\$4,112,370</u> |

A reconciliation of deposits and investments as shown on the balance sheet and the statement of net assets is as follows:

| <u>Per Statement of Net Assets</u> | | <u>By Category</u> | |
|--|--------------------|--------------------|--------------------|
| Cash and equity in pooled cash and investments | \$5,343,425 | Cash | \$ 13,765 |
| Investments | 399,270 | Deposits | 2,088,018 |
| Restricted assets: | | Investments | <u>4,112,370</u> |
| Cash and cash equivalents | <u>471,458</u> | | <u>\$6,214,153</u> |
| | <u>\$6,214,153</u> | | |

The City does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

5. RECEIVABLES AND PAYABLES

Receivables at year-end for the City's governmental funds, including the applicable allowance for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Golf Course</u> | <u>Other Governmental</u> | <u>Total Receivables</u> |
|------------------------------------|------------------|--------------------|---------------------------|--------------------------|
| Governmental activities | | | | |
| Accounts | \$ 65,155 | \$ - | \$ 9,473 | \$ 74,628 |
| Taxes | 427,467 | - | 152,410 | 579,877 |
| Other | <u>-</u> | <u>10,199</u> | <u>186,870</u> | <u>197,069</u> |
| Gross receivables | 492,622 | 10,199 | 348,753 | 851,574 |
| Less: Allowance for Uncollectibles | <u>(21,792)</u> | <u>-</u> | <u>-</u> | <u>(21,792)</u> |
| Net total receivables | <u>\$470,830</u> | <u>\$10,199</u> | <u>\$348,751</u> | <u>\$829,781</u> |

5. RECEIVABLES AND PAYABLES (CONTINUED)

Receivables at year-end for the City's business-type activities, including the applicable allowance for uncollectible accounts, are as follows:

| | Water & <u>Sewer</u> | <u>Sanitation</u> | <u>Stormwater</u> | <u>Totals</u> |
|------------------------------------|-------------------------|-------------------|-------------------|------------------|
| Accounts | \$600,163 | \$190,857 | \$91,888 | \$882,908 |
| Less: Allowance for Uncollectibles | <u>(161,735)</u> | <u>(60,168)</u> | <u>(26,721)</u> | <u>(248,624)</u> |
| Net total receivables | <u>\$438,428</u> | <u>\$130,689</u> | <u>\$65,167</u> | <u>\$634,284</u> |

Governmental funds report *deferred revenues* for receivables on revenues considered to be not yet available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition on revenues received but not yet earned. On September 30, 2004, *deferred revenue* and unearned revenue in the governmental funds amounted to \$61,005, which had been paid in advance for FY 04 occupational licenses.

Payables at September 30, 2004 were as follows:

| | <u>Vendors</u> |
|--------------------------------|------------------|
| Governmental activities: | |
| General | \$438,196 |
| Golf course | 21,830 |
| Law enforcement | 1,342 |
| Nonmajor funds | <u>93,312</u> |
| Total governmental activities | <u>\$554,680</u> |
| Business-type activities: | |
| Water & sewer | \$689,864 |
| Sanitation | 73,415 |
| Stormwater | <u>15,167</u> |
| Total business-type activities | <u>\$778,446</u> |

6. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004 was as follows

- Transfers of \$4,636,269 are as follows; 1) \$4,710,065 is for the reclassification of the Golf Course Fund from an enterprise fund to a special revenue fund, and 2) \$73,796 is for construction projects completed during FY 2004.
- As explained in Note 3, adjustments in accumulated depreciation of \$761,363 are due to an error in the accumulated depreciation reported for the fiscal year ended September 30, 2003. The depreciation expense for FY2003 was added twice to the ending accumulated depreciation balance.

6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2004 was as follows:

| | Balance October 1, 2003 | Additions | Deletions | Transfers* | Adjustments | Balance September, 30 2004 |
|---|----------------------------|-------------------|--------------------|---------------------|-------------------|----------------------------------|
| Governmental activities | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 1,776,080 | \$ - | \$ - | \$1,300,000 | \$ - | \$ 3,076,080 |
| Construction in progress | <u>103,546</u> | <u>-</u> | <u>-</u> | <u>(73,796)</u> | <u>-</u> | <u>29,750</u> |
| Total capital assets not being depreciated | <u>1,879,626</u> | <u>-</u> | <u>-</u> | <u>1,226,204</u> | <u>-</u> | <u>3,105,830</u> |
| Capital assets being depreciated: | | | | | | |
| Building | 2,465,007 | 178,541 | - | 2,944,850 | - | 5,588,398 |
| Infrastructure | 14,594,057 | 188,834 | - | - | - | 14,963,444 |
| Improvements other than buildings | 1,232,240 | 369,387 | - | 945,537 | - | 2,366,611 |
| Machinery and equipment | <u>3,133,778</u> | <u>462,904</u> | <u>(205,850)</u> | <u>469,390</u> | <u>-</u> | <u>3,860,222</u> |
| Total capital assets being depreciated | <u>21,425,082</u> | <u>1,199,666</u> | <u>(205,850)</u> | <u>4,359,777</u> | <u>-</u> | <u>26,778,676</u> |
| Less accumulated depreciation for: | | | | | | |
| Building | (1,212,880) | (181,178) | - | (591,378) | 63,696 | (1,921,739) |
| Infrastructure | (9,290,698) | (100,405) | - | - | 55,535 | (9,300,120) |
| Improvements other than buildings | (913,852) | (403,334) | - | (203,647) | 393,912 | (1,162,369) |
| Machinery and equipment | <u>(1,696,315)</u> | <u>(298,444)</u> | <u>134,875</u> | <u>(154,688)</u> | <u>248,220</u> | <u>(1,766,352)</u> |
| Total accumulated depreciation | <u>(13,113,745)</u> | <u>(983,361)</u> | <u>134,875</u> | <u>(949,713)</u> | <u>761,363</u> | <u>(14,150,580)</u> |
| Total capital assets being depreciated, net | <u>8,311,337</u> | <u>216,305</u> | <u>(70,975)</u> | <u>3,410,064</u> | <u>761,363</u> | <u>12,628,096</u> |
| Business activities capital assets, net | <u>\$ 10,190,963</u> | <u>\$ 216,305</u> | <u>\$ (70,975)</u> | <u>\$ 4,636,268</u> | <u>\$ 761,363</u> | <u>\$ 15,733,926</u> |

| | Balance October 1, 2003 | Additions | Deletions | Transfers* | Balance September, 30 2004 |
|---|----------------------------|--------------------|-------------------|-----------------------|----------------------------------|
| Business-type activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 1,300,000 | \$ - | \$ - | \$(1,300,000) | \$ - |
| Construction in progress | <u>1,244,309</u> | <u>19,513</u> | <u>-</u> | <u>(464,966)</u> | <u>798,856</u> |
| Total capital assets not being depreciated | <u>2,544,309</u> | <u>19,513</u> | <u>-</u> | <u>\$(1,764,966)</u> | <u>798,856</u> |
| Capital assets being depreciated: | | | | | |
| Building | 2,944,850 | - | - | (2,944,850) | - |
| Infrastructure | 22,723,878 | 709,710 | - | - | 23,433,588 |
| Improvements other than buildings | 945,537 | - | - | (945,537) | - |
| Machinery and equipment | <u>2,169,570</u> | <u>44,301</u> | <u>(123,208)</u> | <u>(469,390)</u> | <u>1,621,273</u> |
| Total capital assets being depreciated | <u>28,783,835</u> | <u>754,011</u> | <u>(123,208)</u> | <u>(4,359,777)</u> | <u>25,054,861</u> |
| Less accumulated depreciation for: | | | | | |
| Building | (591,378) | - | - | 591,378 | - |
| Infrastructure | (11,005,188) | (708,560) | - | - | (11,713,748) |
| Improvements other than buildings | (203,647) | - | - | 203,647 | - |
| Machinery and equipment | <u>(1,139,043)</u> | <u>(161,014)</u> | <u>115,181</u> | <u>154,688</u> | <u>(1,030,185)</u> |
| Total accumulated depreciation | <u>12,939,256</u> | <u>(869,574)</u> | <u>115,181</u> | <u>949,713</u> | <u>(12,743,936)</u> |
| Total capital assets being depreciated, net | <u>15,844,579</u> | <u>(115,563)</u> | <u>(8,027)</u> | <u>(3,410,064)</u> | <u>12,310,925</u> |
| Business activities capital assets, net | <u>\$18,388,888</u> | <u>\$ (96,050)</u> | <u>\$ (8,027)</u> | <u>\$ (5,175,030)</u> | <u>\$ 13,109,781</u> |

6. CAPITAL ASSETS (CONTINUED)

*Transfers are \$4,710,065 for the transfer of the golf course to a special revenue fund, and \$464,966 for construction projects completed during FY2004.

Depreciation expense was charged to functions/programs of the City as follows:

| | |
|--|------------------|
| General government | \$465,625 |
| Public Safety | 163,770 |
| Public works | 64,887 |
| Recreation and social services | 283,152 |
| Economic environment | <u>5,928</u> |
| Total depreciation expense – governmental activities | <u>\$983,362</u> |
| Business- type activities | |
| Water & Sewer | \$650,183 |
| Sanitation | 121,494 |
| Stormwater | <u>97,897</u> |
| Total depreciation expense – business- type activities | <u>\$869,574</u> |

Construction Commitments

The City of Miami Springs has active construction projects as of September 30, 2004. The projects include repairs to the City's water and sewer infrastructure system as well as the relocation of water and sewer utility lines for the Lejeune Flyover Project. At year-end, the City's commitments with contractors are as follows:

| <u>Project</u> | <u>Spent-to-Date</u> | <u>Remaining Commitment</u> |
|-------------------------|----------------------|---------------------------------|
| Westward/Lee drive | \$ 80,200 | \$300,000 |
| SCADA Project | 4,666 | 217,000 |
| Lejeune Flyover Project | <u>743,740</u> | <u>57,000</u> |
| Total | <u>\$828,606</u> | <u>\$574,000</u> |

7. LONG-TERM DEBT

FDOT Note Payable

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City is required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion are lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. As of September 30, 2004, the FDOT had paid project costs of approximately \$744,000. The note was recorded for this amount since it represents the fair value of the services received. Interest was imputed on the note based on the City's borrowing rate which was calculated to be approximately 5%.

7. LONG-TERM DEBT (CONTINUED)

Miami-Dade County Loan Payable

During fiscal year 2003, Miami Dade County (the "County") completed a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. The City's responsibility was determined to be \$250,000 and repayment terms were being negotiated with the County. As of September 30, 2004, negotiations were still ongoing for a repayment agreement.

General Obligation Bonds-Series 1997

On September 18, 1997, the City issued \$5,000,000 of General Obligation Bonds with interest rates ranging from 4.00% to 5.10%, which mature on February 1, 2013, for the purchase and renovation of the Miami Springs Golf Course and Country Club from the City of Miami. The bonds are secured by a debt service millage levy of .543 mills.

Revenue Bonds

On May 1, 1998, the City issued \$11,435,000 in Utility Systems Revenue Refunding and Improvement Bonds with interest rates ranging from 3.75% to 4.85%, which mature on September 21, 2021, to advance refund \$7,515,000 of outstanding 1994 Series Refunding Bonds with interest rates ranging from 2.5% to 5%. The net proceeds of \$10,898,910 (after payment of \$426,193 in underwriting fees, insurance, and other costs) plus an additional \$844,590 from 1994 Series reserve fund monies were used to purchase allowable investments in the amount of \$7,506,914. The remaining bond proceeds of \$3,391,996 were used to purchase short-term allowable investments to be utilized for the acquiring, construction, renovating, installing and equipping additions and improvements to the collection and transmission facilities of the sewer system. The \$7,506,914 in securities was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the water & sewer fund. During September 2004, the outstanding amount of the in-substance defeased debt had been called and paid off.

In addition, unamortized costs from the 1994 Series bonds of approximately \$600,000 have been recorded as part of the net bonds payable at September 30, 1998 and are being amortized over the remaining life of the Series 1994 bonds using the effective interest method. At September 30, 2004 the net unamortized costs from the 1994 Series Bonds is approximately \$307,185. The refunding did not result in an economic gain or loss.

Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

| | Revenue Bonds | | General Obligation Bonds | | Total | |
|-----------------------|--------------------|--------------------|--------------------------|--------------------|---------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2005 | \$ 375,000 | 456,362 | 200,000 | 196,292 | 575,000 | 652,654 |
| 2006 | 395,000 | 440,050 | 210,000 | 186,860 | 605,000 | 626,910 |
| 2007 | 410,000 | 422,670 | 220,000 | 176,808 | 630,000 | 599,478 |
| 2008 | 430,000 | 404,425 | 230,000 | 166,175 | 660,000 | 570,600 |
| 2009 | 450,000 | 385,075 | 245,000 | 154,771 | 695,000 | 539,846 |
| 2010-2014 | 2,580,000 | 1,593,865 | 1,425,000 | 572,820 | 4,005,000 | 2,166,685 |
| 2015-2019 | 3,275,000 | 894,500 | 1,440,000 | 157,940 | 4,715,000 | 1,052,440 |
| 2020-2021 | <u>1,550,000</u> | <u>117,250</u> | <u>-</u> | <u>-</u> | <u>1,550,000</u> | <u>117,250</u> |
| | 9,465,000 | 4,714,197 | 3,970,000 | 1,611,666 | 13,435,000 | 6,325,863 |
| Net unamortized Costs | (307,185) | - | - | - | (307,185) | - |
| Total, net | <u>\$9,157,815</u> | <u>\$4,714,197</u> | <u>\$3,970,000</u> | <u>\$1,611,666</u> | <u>\$13,127,815</u> | <u>\$6,325,863</u> |

7. LONG-TERM DEBT (CONTINUED)

At September 30, 2004 and for the period then ended, the City had complied with the provisions of its bond indenture agreements.

Long-term liability activity for the year ended September 30, 2004 was as follows:

| | October 1 2003 | Additions | Reductions | September 30, 2004 | Due within One Year |
|--|---------------------|------------------|--------------------|-----------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation debt | \$4,160,000 | \$ - | \$(190,000) | \$ 3,970,000 | \$200,000 |
| Capital leases | 272,000 | 116,561 | (153,714) | 234,847 | 116,081 |
| Total bonds and notes payable | <u>4,432,000</u> | <u>116,561</u> | <u>(343,714)</u> | <u>4,204,847</u> | <u>316,081</u> |
| Other liabilities: | | | | | |
| Compensated absences | 387,018 | 653,019 | (138,912) | 901,125 | 200,000 |
| Governmental activity long-term liabilities | <u>\$4,819,018</u> | <u>\$769,580</u> | <u>\$(482,626)</u> | <u>\$ 5,105,971</u> | <u>\$516,081</u> |
| Business-type activities | | | | | |
| Bonds and notes payable: | | | | | |
| Sewer refunding bond | \$ 9,825,000 | \$ - | \$(360,000) | \$ 9,465,000 | \$375,000 |
| Capital leases | 361,599 | - | (185,210) | 176,390 | 74,692 |
| Note payable State of Florida | 660,364 | - | (86,625) | 577,739 | 82,620 |
| Note payable Miami-Dade County | 250,000 | - | - | 250,000 | 25,000 |
| Less deferred amounts for issuance discounts | (365,839) | - | 58,654 | (307,185) | - |
| Total bonds and notes payable | <u>10,731,124</u> | <u>-</u> | <u>(569,181)</u> | <u>10,161,943</u> | <u>557,313</u> |
| Other liabilities: | | | | | |
| Compensated absences | 66,511 | - | (15,826) | 50,685 | 20,000 |
| Business-type activities Long-term liabilities | <u>\$10,797,635</u> | <u>\$ -</u> | <u>\$(585,007)</u> | <u>\$10,212,630</u> | <u>\$577,313</u> |

8. LEASES

Capital Leases

On July 16, 2003, the City entered into a lease agreement, with a local financial institution, as lessee for financing the acquisition of computer equipment for city-wide use. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of equipment leased and capitalized under this lease was approximately \$272,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

| | Year ending September 30, |
|--|------------------------------|
| 2005 | \$ 95,713 |
| 2006 | <u>95,713</u> |
| Total minimum lease payments | 191,426 |
| Less: amount representing interest | |
| Interest (1.57% APR) | <u>(7,284)</u> |
| Present value of minimum Lease payments | <u>\$184,142</u> |

8. LEASES (CONTINUED)

Capital Leases (Continued)

On April 30, 2002, the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of vehicles and equipment for the Sanitation and Golf Course Funds. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of cost of the equipment leased and capitalized was approximately \$391,600.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

| <u>Year ending September 30,</u> | <u>Sanitation</u> | <u>Golf Course</u> |
|--|-------------------|------------------------|
| 2005 | \$ 72,567 | \$15,308 |
| 2006 | 72,567 | 15,308 |
| 2007 | <u>42,330</u> | <u>8,930</u> |
| Total minimum lease payments | 187,464 | 39,536 |
| Less: amount representing Interest (7.24% APR) | <u>(11,075)</u> | <u>(2,336)</u> |
| Present value of minimum lease payments | <u>\$176,389</u> | <u>\$37,200</u> |

On May 18, 2001 the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of equipment for the Golf Course Fund. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of cost of the equipment leased and capitalized was approximately \$162,300.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

| <u>Year ending September 30,</u> | |
|--|-----------------|
| 2005 | <u>\$30,172</u> |
| Less: amount representing Interest (5.38% APR) | <u>(599)</u> |
| Present value of minimum Lease payments | <u>\$30,166</u> |

8. LEASES (CONTINUED)

Operating Leases

The City leases equipment for its Golf Course Fund under non-cancelable operating leases. Total costs for such leases were \$51,778 for the fiscal year ended September 30, 2004. The City also leases office equipment under non-cancelable operating leases. Total costs for such leases were \$32,196 for the fiscal year ended September 30, 2004

The future minimum lease payments are as follows:

| | Year ending <u>September 30,</u> |
|-------|-------------------------------------|
| 2005 | \$ 79,330 |
| 2006 | 54,593 |
| 2007 | 30,841 |
| 2008 | <u>2,664</u> |
| Total | <u>\$167,428</u> |

Capital assets acquired through the issuance of capital leases are as follows:

| | Governmental <u>Activities</u> | Business-type <u>Activities</u> |
|--------------------------------|-----------------------------------|------------------------------------|
| Machinery and equipment | \$494,696 | \$331,214 |
| Less: Accumulated depreciation | <u>(163,662)</u> | <u>(141,458)</u> |
| | <u>\$331,034</u> | <u>\$189,756</u> |

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2004 and the amount of interfund transfers for the fiscal year ended September 30, 2004 are as follows:

| | <u>Interfund Receivable*</u> | <u>Interfund Payable*</u> | <u>Transfers In**</u> | <u>Transfers Out**</u> |
|------------------------|----------------------------------|-------------------------------|---------------------------|----------------------------|
| General | \$169,056 | \$ - | \$ 568,682 | \$ 904,473 |
| Law Enforcement Fund | 745 | - | - | - |
| Golf Course Fund | - | - | 475,000 | - |
| Non-major governmental | - | 169,801 | 160,173 | 179,281 |
| Enterprise Funds | - | - | <u>304,903</u> | <u>425,004</u> |
| Total | <u>\$169,801</u> | <u>\$169,801</u> | <u>\$1,508,758</u> | <u>\$1,508,758</u> |

*The balance of \$169,056 due to the general fund includes \$160,992 resulting from loans to the Hurricane Fund pending receipt of FEMA reimbursement; the Law Enforcement Trust Fund is due \$745 from the Hurricane Fund.

**Transfers in/out during the fiscal year are as follows:

- \$129,996 was transferred from the General fund to the Senior Center fund to meet the City's matching requirements of certain grant agreements awarded to the Senior Center

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

- \$475,000 was transferred from the General fund to the Golf Course fund to cover operating losses from the Golf Course operation
- \$269,300 was transferred from the General fund to the Sanitation Fund to cover operating losses for the fiscal year.
- \$350,004 was transferred from the Water & Sewer Fund and \$75,000 was transferred from the Sanitation fund \$425,004, to the General fund as administrative charges.
- During fiscal year 2004, the City transferred to the general fund \$33,929 from the Recreation Trust Fund, \$15,602 from the safe Neighborhood Parks Fund and \$94,147 from the Police Trust Fund in order to close out these funds.
- \$35,603 was transferred from the Grants Fund to the Stormwater Fund to properly account for Stormwater grant proceeds.
- \$27,677 was transferred from the General fund to the Hurricane Fund to cover the City's matching portion of a FEMA project
- \$2,500 was transferred from the General Fund to the Grants Fund for the City's matching requirements on grant contracts

10. EMPLOYEE RETIREMENT PLANS

(1) Plan Description

The City contributes to two single employer defined benefit pension plans: General Employees' Plan and the Police and Firefighters' Plan. Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The Pension Boards' of each retirement plan are authorized to establish and amend benefit provisions. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing the City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

(2) Funding Policy

General Employees

The pension board establishes the required employee contribution and the City is required to contribute the amount in excess of employee contributions to cover the annual pension cost. City employee members are required to contribute 5% of their annual covered salary, the City's contribution is limited to 10% of compensation paid to participants during the year. The covered payroll for plan members for the year ended September 30, 2004 was approximately \$3,100,000. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1.

10. **EMPLOYEE RETIREMENT PLANS (CONTINUED)**

(2) **Funding Policy (Continued)**

Police and Firefighters

The regular member contribution for both bargaining unit employees and non-bargaining unit managerial employees in that capacity after September 27, 1993 rate is 9% of earnings. If the combined City and Member contributions required for a year are less than 14% of covered payroll, the difference under 14% shall be rounded to the nearest .1% of budgeted payroll. The resulting difference shall be divided in two, with plan members reducing their contribution rates by half the difference, and the City reducing its contribution by the remaining half for that fiscal year. However, if the combined City and member contributions for any one fiscal year exceed 18% of the budgeted payroll for police officers, the excess rate over 18% will be divided by two with plan members paying half of the excess and the City paying the other half for that fiscal year. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1.

(3) **Annual Pension Cost and Net Pension Asset**

General Employees

The City's annual pension cost and net pension asset to the General Employees Retirement System for the years ended September 30, 2004 was as follows:

| | |
|--|----------|
| Annual required contribution | \$ - |
| Interest on net pension asset | 5,859 |
| Adjustment to annual required contribution | (11,195) |
| Annual pension cost | (5,336) |
| Contributions made | - |
| (Decrease) in net pension asset | (5,336) |
| Net pension asset, beginning of year | 73,236 |
| Net pension asset, end of year | \$67,900 |

The annual required contribution for the current year was determined based on an October 1, 2003 actuarial valuation date using the aggregate actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6%. Both (i) and (ii) include an inflation component of 4%. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | % of Annual Pension Cost Contribution (APC) | Net Pension Asset |
|-------------------|---------------------------|---|-------------------|
| 9/30/01 | 2,127 | 2,336 | 78,383 |
| 9/30/02 | 5,147 | -0- | 73,236 |
| 9/30/03 | 5,336 | -0- | 67,900 |

10. EMPLOYEE RETIREMENT PLANS (CONTINUED)

(3) Annual Pension Cost and Net Pension Asset (Continued)

Police & Firefighters

The City's Annual Pension Cost and net pension asset to the Police & Firefighters' Plan for the years ended September 30, 2004 were as follows:

| | |
|--|-----------------|
| Annual required contribution | \$44,346 |
| Interest on net pension asset | (4,857) |
| Adjustment to annual required contribution | <u>6,619</u> |
| Annual pension cost | 46,108 |
| Contributions made | <u>49,502</u> |
| Increase in net pension asset | 3,394 |
| Net pension asset, beginning of year | <u>60,712</u> |
| Net pension asset, end of year | <u>\$64,106</u> |

The annual required contribution for the current year was determined based on an October 1, 2003 actuarial valuation date using the aggregate actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6%. Both (i) and (ii) include an inflation component of 4%. The assumptions did not include post-retirement benefit increases. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

| Three-Year Trend Information | | | |
|------------------------------|----------------|--------------|-------------|
| | | % of Annual | |
| Fiscal Year | Annual Pension | Pension Cost | Net Pension |
| Ended | Cost (APC) | Contribution | Asset |
| | | (APC) | |
| 9/30/01 | 50,866 | 114.3 | 54,329 |
| 9/30/02 | 44,916 | 114.2 | 60,712 |
| 9/30/03 | 46,108 | 107.4 | 64,106 |

(4) DROP Plan

On October 8, 2001, the general Employees Retirement Plan adopted a Deferred Retirement Option Plan ("DROP") for participants who are eligible to receive normal retirement. Eligible members may participate by applying to the Board.

On February 9, 1998, the Police and Firefighters Pension Plan adopted a DROP for participants who are eligible to receive normal retirement and have either attained age 55 with ten years of continuous service, or have completed 25 years of service. Eligible members may participate by applying to the Board.

For Police & Firefighters', eligibility to participate shall be forfeited if not exercised within the first 29 years of service. However, participation will be permitted for those members with more than 27 years of service as of January 1, 1998.

10. EMPLOYEE RETIREMENT PLANS (CONTINUED)

(4) DROP Plan (Continued)

Upon a member's election to participate in the DROP, that member shall cease to be a member his or her respective Plan and shall be precluded from any additional benefits under the Plan; accordingly, that member shall be considered retired.

Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments will be paid into the DROP and credited to the retired member. Payments into the DROP are made monthly for the period the retired member participates in the DROP, up to a maximum of 60 months.

Payments into the DROP will earn the same return as earned by the remainder of the Plan assets.

Upon termination of employment, participants in the DROP have the option of receiving the balance of their account either in a lump sum distribution or in any other form of payment selected by the participant, approved by the Board and conforming to applicable laws.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in insurance coverage from coverages in the prior year and there have been no claims settled which have exceeded insurance coverage for each of the past three years.

Liability Insurance

The public liability program is designed to cover all public liability type claims incurred, subject to the limitation established by the State of Florida Waiver of Sovereign Immunity Act. Insurance coverage is primarily provided by the Florida Municipal Liability Insurance Program supplemented by other policies and outside carriers. The City's deductible portion of liability claims and premiums paid to insurers are charged to the funds as incurred.

12. DEFINED CONTRIBUTION PLAN

The City of Miami Springs 401(a) Money Purchase Plan is a defined contribution plan established by the City to provide benefits at retirement for certain employees of upper management. At September 30, 2004, there were three plan members, the City Manager, Assistant City Manager and the Finance Director. The City is required to contribute on behalf of each participant 14.89% of earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Council.

The plan assets are administered by ICMA Retirement Corp. Participants are mailed quarterly statements or can obtain daily account balances through the Internet. The City does not exercise any control over the plan assets. Contributions were approximately \$40,900 for the year ended September 30, 2004.

13. OTHER POST-EMPLOYMENT BENEFITS

The City provides certain healthcare and life insurance benefits for retired employees. All City employees that reach normal retirement age while working for the City are eligible for those benefits.

The cost of retiree healthcare benefits is the responsibility of the retirees, the cost of retiree life insurance benefits are the responsibility of the employee's pension plan.

14. COMMITMENTS AND CONTINGENCIES

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the City has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the City's financial condition.

15. FINANCIAL CONDITION

The City performed a financial condition assessment pursuant to Rule 10.566(8) of the Rules of the State of Florida Auditor General. This assessment is required to be performed by the City in order to assess its financial condition on an ongoing basis and if applicable, identify trends that could result in the City being in a Technical State of Financial Emergency. The results of performing the financial condition assessment disclosed that approximately 50% of the financial indicators had favorable results, 39% had inconclusive results, and 11% had unfavorable results. In addition, of the three critical indicators, one was rated favorable and the other two were rated inconclusive.

As a further indication of the strengthening of the City's financial condition, on December 20, 2004, the City was notified that its bond rating from Standard and Poor's was improved from a "BBB+ with a *negative* outlook" to "BBB+ with a *stable* outlook". The City continues to maintain an "investment-grade" rating of BBB+ however the outlook has been upgraded to "stable" based on the improvements achieved in the City's finances.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

CITY OF MIAMI SPRINGS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive/(Negative) |
|---|-------------------------|-------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Taxes | \$ 5,672,885 | \$ 5,672,885 | \$ 5,638,375 | \$ (34,510) |
| Charges for services | 189,721 | 189,721 | 227,864 | 38,143 |
| Public service taxes | 2,230,000 | 2,278,000 | 2,317,593 | 39,593 |
| Intergovernmental | 985,819 | 1,085,819 | 1,200,928 | 115,109 |
| Licenses and permits | 338,900 | 409,900 | 396,527 | (13,373) |
| Fines and forfeitures | 189,500 | 189,500 | 170,547 | (18,953) |
| Miscellaneous | 300,307 | 311,307 | 128,981 | (182,326) |
| Investment income | - | - | 35,287 | 35,287 |
| Total revenues | <u>9,907,132</u> | <u>10,137,132</u> | <u>10,116,102</u> | <u>(21,029)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Council | 50,100 | 50,170 | 45,491 | 4,679 |
| City Clerk | 197,458 | 197,458 | 176,716 | 20,742 |
| City Manager | 309,427 | 309,427 | 286,942 | 22,485 |
| City Attorney | 96,000 | 116,000 | 115,222 | 778 |
| Human Resources | 188,096 | 188,096 | 168,094 | 20,002 |
| Finance | 554,659 | 834,837 | 722,725 | 112,112 |
| Non-Departmental | 771,697 | 771,697 | 415,634 | 356,063 |
| Total general government | <u>2,167,437</u> | <u>2,467,685</u> | <u>1,930,823</u> | <u>536,862</u> |
| Public safety: | | | | |
| Police | 4,309,184 | 4,379,047 | 3,888,471 | 490,576 |
| Planning | 164,078 | 164,199 | 109,173 | 55,026 |
| Building & Zoning | 434,347 | 434,347 | 392,207 | 42,140 |
| Total public safety | <u>4,907,609</u> | <u>4,977,593</u> | <u>4,389,851</u> | <u>587,742</u> |
| Public works: | | | | |
| Administration | 398,070 | 398,070 | 378,300 | 19,770 |
| Streets & sidewalks | 260,769 | 260,769 | 260,726 | 43 |
| Properties | 812,231 | 812,231 | 755,361 | 56,870 |
| Building maintenance | 264,696 | 264,696 | 157,751 | 106,945 |
| Fleet maintenance | 102,386 | 136,368 | 129,617 | 6,751 |
| Total public works | <u>1,838,152</u> | <u>1,872,134</u> | <u>1,681,754</u> | <u>190,380</u> |
| Recreation: | | | | |
| Administration | 631,906 | 635,561 | 456,187 | 179,374 |
| Aquatics | 239,869 | 239,869 | 233,024 | 6,845 |
| Tennis | 31,310 | 31,310 | 31,036 | 274 |
| Park maintenance | 165,849 | 165,849 | 158,472 | 7,377 |
| Total recreation | <u>1,068,934</u> | <u>1,072,589</u> | <u>878,718</u> | <u>193,871</u> |
| Total expenditures | <u>9,982,132</u> | <u>10,390,001</u> | <u>8,881,146</u> | <u>1,508,855</u> |
| Excess(deficiency) of revenues over (under) expenditures | <u>(75,000)</u> | <u>(252,869)</u> | <u>1,234,956</u> | <u>(1,529,884)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 425,000 | 425,000 | 568,682 | (143,682) |
| Transfers out | (350,000) | (350,000) | (904,473) | 554,473 |
| Total other financing sources (uses) | <u>75,000</u> | <u>75,000</u> | <u>(335,791)</u> | <u>410,791</u> |
| Net change in fund balance | - | (177,869) | 899,165 | (1,077,034) |
| Fund balances, October 1 | <u>853,643</u> | <u>853,643</u> | <u>1,990,242</u> | <u>(1,136,599)</u> |
| Fund balances, September 30 | <u>\$ 853,643</u> | <u>\$ 675,774</u> | <u>\$ 2,889,407</u> | <u>\$ (2,213,633)</u> |

See notes to budgetary comparison schedule

CITY OF MIAMI SPRINGS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Fines and forfeitures | \$ 189,516 | \$ 302,669 | \$ 145,601 | \$ (157,068) |
| Investment income | - | - | 21,259 | 21,259 |
| Total revenues | <u>189,516</u> | <u>302,669</u> | <u>166,860</u> | <u>(135,809)</u> |
| Expenditures: | | | | |
| Education and training | 182,516 | 182,516 | 120,878 | (61,638) |
| Capital outlay | 7,000 | 120,153 | 165,471 | 45,318 |
| Total expenditures | <u>189,516</u> | <u>302,669</u> | <u>286,349</u> | <u>(16,320)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>(119,489)</u> | <u>(119,489)</u> |
| Fund balances, October 1 | <u>1,715,262</u> | <u>1,715,262</u> | <u>1,256,841</u> | <u>(458,421)</u> |
| Fund balances, September 30 | <u>\$ 1,715,262</u> | <u>\$ 1,715,262</u> | <u>\$ 1,137,352</u> | <u>\$ (577,910)</u> |

See notes to budgetary comparison schedule

CITY OF MIAMI SPRINGS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GOLF COURSE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Charges for services | <u>\$ 1,913,724</u> | <u>\$ 1,924,855</u> | <u>\$ 1,668,506</u> | <u>\$ (256,349)</u> |
| Total revenues | <u>1,913,724</u> | <u>1,924,855</u> | <u>1,668,506</u> | <u>(256,349)</u> |
| Expenditures: | | | | |
| Recreation and culture | 1,913,724 | 1,924,855 | 2,123,329 | 198,474 |
| Capital outlay | - | - | 10,229 | 10,229 |
| Total expenditures | <u>1,913,724</u> | <u>1,924,855</u> | <u>2,133,558</u> | <u>198,474</u> |
| Deficiency of revenues over expenditures | <u>-</u> | <u>-</u> | <u>(465,051)</u> | <u>(465,051)</u> |
| Other financing sources | | | | |
| Transfers in | <u>150,000</u> | <u>150,000</u> | <u>475,000</u> | <u>(325,000)</u> |
| Total other financing sources | <u>150,000</u> | <u>150,000</u> | <u>475,000</u> | <u>(325,000)</u> |
| Net change in fund balance | 150,000 | 150,000 | 9,949 | 140,051 |
| Fund balances, October 1 | <u>22,014</u> | <u>22,014</u> | <u>22,014</u> | <u>-</u> |
| Fund balances, September 30 | <u>\$ 172,014</u> | <u>\$ 172,014</u> | <u>\$ 31,963</u> | <u>\$ (140,051)</u> |

See notes to budgetary comparison schedule

CITY OF MIAMI SPRINGS, FLORIDA
NOTE TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2004

A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to July 30 of each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing such expenditures.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The level of control at which expenditures may not exceed budget is at the departmental level. The City Commission approves these levels by annual resolution. The City Manager is authorized to transfer budgeted amounts within individual departments; any revisions that alter the total expenditures of any appropriation center within a fund must be approved by the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be re-appropriated and honored during the subsequent year.

Appropriations lapse at year end, except for grants and shared revenues from other governmental units which do not lapse at year-end and are only reported to the extent of revenues recognized, and expenditures incurred for the current year. Individual amendments were not material in relation to the original adopted budget.

The final budget includes budget transfers and supplemental appropriations, which have the effect of adjusting the original adopted budget. General Fund supplemental appropriations amounted to \$407,869 for the fiscal year ended September 30, 2004 and consists primarily of the roll-forward of encumbrances from FY 2003 as well as increases of various revenue sources.

There were no budgetary expenditures in excess of appropriations for the General Fund for the fiscal year ended September 30, 2004.

CITY OF MIAMI SPRINGS, FLORIDA
EMPLOYEES' AND POLICE & FIREFIGHTERS' PLANS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 (Unaudited)

General Employees' Plan:

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL As % of Covered Payroll |
|--------------------------------|---------------------------------------|---|---|-----------------|--------------------|------------------------------------|
| | (a) | (b) | (b)-(a) | (b)/(a) | (c) | ((b)-(a))/(c) |
| 10/1/98 | 8,495,731 | 6,883,280 | (1,612,451) | 123.4 | 2,977,751 | (54.1) |
| 10/1/99 | 9,646,613 | 7,308,588 | (2,338,025) | 132.0 | 2,863,379 | (81.7) |
| 10/1/00 | 10,780,335 | 8,273,005 | (2,507,330) | 130.3 | 3,069,479 | (81.7) |
| 10/1/01 | 11,671,813 | 9,132,700 | (2,539,113) | 127.8 | 2,987,599 | (85.0) |
| 10/1/02 | 11,845,208 | 9,776,521 | (2,068,687) | 121.2 | 3,222,834 | (64.2) |
| 10/1/03 | 12,040,035 | 10,265,029 | (1,775,006) | 117.3 | 3,262,260 | (54.4) |

Police & Firefighters' Plan:

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL As % of Covered Payroll |
|--------------------------------|---------------------------------------|---|---|-----------------|--------------------|------------------------------------|
| | (a) | (b) | (b)-(a) | (b)/(a) | (c) | ((b)-(a))/(c) |
| 10/1/98 | 14,419,701 | 11,224,635 | (3,195,066) | 128.5 | 1,694,220 | (188.6) |
| 10/1/99 | 15,694,388 | 12,300,196 | (3,394,192) | 127.6 | 1,864,081 | (182.1) |
| 10/1/00 | 16,997,941 | 13,050,899 | (3,947,042) | 130.2% | 1,762,503 | (223.9) |
| 10/1/01 | 18,066,619 | 13,696,960 | (4,369,689) | 131.9 | 1,784,871 | (244.8) |
| 10/1/02 | 18,220,141 | 14,386,889 | (3,833,252) | 126.6 | 1,975,547 | (194.0) |
| 10/1/03 | 18,524,225 | 15,064,523 | (3,459,702) | 123.0 | 2,150,827 | (160.9) |

CITY OF MIAMI SPRINGS, FLORIDA
EMPLOYEES' AND POLICE & FIREFIGHTERS' PLANS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

General Employees' Pension Fund:

| <u>Fiscal Year</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|------------------------|---|-----------------------------------|
| 9/30/98 | 127,995 | 100.0 |
| 9/30/99 | 97,357 | 102.3 |
| 9/30/00 | 103,440 | 100.4 |
| 9/30/01 | 789 | 6297.5 |
| 9/30/02 | -0- | N/A |
| 9/30/03 | -0- | N/A |

Police & Firefighters' Pension Fund:

| <u>Fiscal Year</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|------------------------|---|-----------------------------------|
| 9/30/98 | 108,756 | 101.3 |
| 9/30/99 | 66,210 | 100.0 |
| 9/30/00 | 55,842 | 100.5 |
| 9/30/01 | 49,703 | 117.0 |
| 9/30/02 | 43,649 | 117.5 |
| 9/30/03 | 44,346 | 111.6 |

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for revenues from revenue sources which by law are designated to finance particular functions or activities of government.

Road and Transportation Fund. This fund is used to account for expenditures for transportation related improvements.

Senior Center Fund. This fund is used to account for the financial management of programs funded under Title III of the Older Americans Act.

Grants Fund. This fund is used to account for monies provided to the City from an outside agency, other than routine revenues, which are normally slated to accomplish a specific project or task. Grant funds can either be an entitlement to which the City is qualified to receive by virtue of its existence, or discretionary which the City must compete for.

Hurricane Fund. This fund is used to account for FEMA funds received and the expenditures related thereto resulting from hurricane and tropical storm clean up and restoration.

Criminal Justice Fund. This fund is used to account for funds to educate and train local police officers.

Police Grants Fund. This fund is used to account for funds received by the City which are strictly designated for police related expenditures.

Debt Service Fund

General Obligation Debt Service Fund – to account for the accumulation of transfers from other funds and payment of principal and interest and fiscal charges on the City's general obligation bonds which are payable from ad valorem taxes.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

| | Special Revenue | | | | | | Debt Service | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------|--------|------------|------------------|--------------------|-------------------------|-----------------------------------|
| | Road and Transportation | Senior Center | Grants | Hurricane | Criminal Justice | Police Grants Fund | General Obligation Bond | |
| <u>ASSETS</u> | | | | | | | | |
| Cash and equity in pooled cash and investments | \$ 859,374 | \$ 36,265 | \$ 445 | \$ - | \$ 26,050 | \$ - | \$ - | \$ 922,134 |
| Accounts receivable - net | 161,574 | 17,377 | - | 161,737 | - | 8,064 | - | 348,751 |
| Restricted assets: | | | | | | | | |
| Cash and equity in pooled cash and investments | - | - | - | - | - | - | 100,821 | 100,821 |
| Total assets | \$ 1,020,948 | \$ 53,641 | \$ 445 | \$ 161,737 | \$ 26,050 | \$ 8,064 | \$ 100,821 | \$ 1,371,706 |
| <u>LIABILITIES</u> | | | | | | | | |
| Accounts payable | \$ 72,018 | \$ 21,293 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 93,312 |
| Accrued payroll | - | 6,564 | - | - | - | - | - | 6,564 |
| Due to other funds | - | - | - | 161,737 | - | 8,064 | - | 169,801 |
| Total liabilities | 72,018 | 27,857 | - | 161,737 | - | 8,064 | - | 269,677 |
| <u>FUND BALANCES</u> | | | | | | | | |
| Reserved for: | | | | | | | | |
| Encumbrances | 110,988 | 850 | - | - | - | - | - | 111,838 |
| Special revenue fund | 837,942 | 24,934 | 445 | - | 26,050 | - | - | 889,370 |
| Debt service fund | - | - | - | - | - | - | 100,821 | 100,821 |
| Total fund balances | 948,929 | 25,784 | 445 | - | 26,050 | - | 100,821 | 1,102,029 |
| Total liabilities and fund balances | \$ 1,020,948 | \$ 53,641 | \$ 445 | \$ 161,736 | \$ 26,050 | \$ 8,064 | \$ 100,821 | \$ 1,371,705 |

CITY OF MIAMI SPRINGS, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | Special Revenue | | | | | | | | | Debt Service | | |
|---|-------------------------|---------------|----------|-----------|------------------|--------------------|------------------|--------------|-------------------------|--------------|-------------------------|-----------------------------------|
| | Road and Transportation | Senior Center | Grants | Hurricane | Criminal Justice | Police Grants Fund | Recreation Trust | Police Trust | Safe Neighborhood Parks | Total | General Obligation Bond | Total Nonmajor Governmental Funds |
| Revenues: | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 393,335 | \$ 393,335 |
| Intergovernmental | 788,125 | 139,501 | 73,000 | 276,786 | - | 28,419 | - | - | - | 1,305,830 | - | 1,305,830 |
| Fines and forfeitures | - | - | - | - | 3,362 | - | - | - | - | 3,362 | - | 3,362 |
| Interest | - | - | - | - | 133 | - | - | - | - | 133 | - | 133 |
| Miscellaneous | 2,844 | 10,999 | - | - | - | 1,837 | - | - | - | 15,680 | - | 15,680 |
| Total revenues | 790,969 | 150,501 | 73,000 | 276,786 | 3,495 | 30,256 | - | - | - | 1,325,005 | 393,335 | 1,718,340 |
| Expenditures: | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| General government | 262,183 | - | - | - | - | 30,256 | - | - | - | 292,439 | 2,088 | 294,527 |
| Recreation and social services | - | 281,989 | - | - | - | - | - | - | - | 281,989 | - | 281,989 |
| Economic and community development | - | - | 18,054 | 291,101 | - | - | - | - | - | 309,155 | - | 309,155 |
| Debt service: | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | 190,000 | 190,000 |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | 205,118 | 205,118 |
| Capital outlay: | | | | | | | | | | | | |
| General government | 525,163 | - | - | - | - | - | - | - | - | 525,163 | - | 525,163 |
| Recreation and social services | - | 2,084 | - | - | - | - | - | - | - | 2,084 | - | 2,084 |
| Economic and community development | - | - | 57,000 | 14,362 | - | - | - | - | - | 71,362 | - | 71,362 |
| Total expenditures | 787,346 | 284,073 | 75,054 | 305,462 | - | 30,256 | - | - | - | 1,189,752 | 397,205 | 1,879,396 |
| Excess (deficiency) of revenues over expenditures | 3,622 | (133,573) | (2,054) | (28,677) | 3,495 | - | - | - | - | (157,186) | (3,870) | (161,056) |
| Other financing sources (uses) | | | | | | | | | | | | |
| Transfers in | - | 129,996 | 2,500 | 27,677 | - | - | - | - | - | 160,173 | - | 160,173 |
| Transfers out | - | - | (35,603) | - | - | - | (33,929) | (94,147) | (15,602) | (179,281) | - | (179,281) |
| Total other financing sources (uses) | - | 129,996 | (33,103) | 27,677 | - | - | (33,929) | (94,147) | (15,602) | (19,108) | - | (19,108) |
| Net change in fund balance | 3,622 | (3,577) | (35,157) | (1,000) | 3,495 | - | (33,929) | (94,147) | (15,602) | (176,294) | (3,870) | (180,165) |
| Fund balances, October1 | 885,499 | (32,752) | 89,833 | 169,409 | 22,555 | - | 33,929 | 94,147 | 15,602 | 1,278,222 | 104,691 | 1,382,913 |
| Prior period adjustments | 59,808 | 62,112 | (54,231) | (168,409) | - | - | - | - | - | (100,720) | - | (100,720) |
| Fund balances, October1, as restated | 945,307 | 29,360 | 35,602 | 1,000 | 22,555 | - | 33,929 | 94,147 | 15,602 | 1,177,503 | 104,691 | 1,282,194 |
| Fund balances, September30 | \$ 948,929 | \$ 25,784 | \$ 445 | \$ - | \$ 26,050 | \$ - | \$ - | \$ - | \$ - | \$ 1,001,208 | \$ 100,821 | \$ 1,102,029 |

**SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**

➤ **DEBT SERVICE FUND**

➤ **NONMAJOR GOVERNMENTAL FUNDS:**

- Road and Transportation Fund
- Senior Center Fund
- Grants Fund
- Hurricane fund

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|-----------------------------|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Taxes | \$ 395,709 | \$ 395,709 | \$ 393,335 | \$ (2,374) |
| Total revenues | <u>395,709</u> | <u>395,709</u> | <u>393,335</u> | <u>(2,374)</u> |
| Expenditures: | | | | |
| Principal retirement | 190,000 | 190,000 | 190,000 | - |
| Interest and fiscal charges | 205,118 | 205,118 | 205,118 | - |
| Administrative charges | <u>2,087</u> | <u>2,087</u> | <u>2,087</u> | <u>-</u> |
| Total expenditures | <u>397,205</u> | <u>397,205</u> | <u>397,205</u> | <u>-</u> |
| Net change in fund balance | (1,496) | (1,496) | (3,870) | (2,374) |
| Fund balances, October 1 | <u>104,691</u> | <u>104,691</u> | <u>104,691</u> | <u>-</u> |
| Fund balances, September 30 | <u>\$ 103,195</u> | <u>\$ 103,195</u> | <u>\$ 100,821</u> | <u>\$ (2,374)</u> |

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | Special Revenue Funds | | | | | | | |
|---|------------------------------|------------|----------------|--|--------------------|-----------|----------------|--|
| | Road and Transportation Fund | | | | Senior Center fund | | | |
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | | Original | Final | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 740,000 | 740,000 | 788,125 | 48,125 | 161,946 | 161,946 | 139,501 | (22,445) |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | 2,844 | 2,844 | 11,000 | 11,000 | 10,999 | (1) |
| Total revenues | 740,000 | 740,000 | 790,969 | 50,969 | 172,946 | 172,946 | 150,500 | (22,446) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 225,000 | 225,000 | 262,183 | (37,183) | - | - | - | - |
| Recreation and social services | - | - | - | - | 292,179 | 292,179 | 281,989 | 10,190 |
| Economic and community development | - | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | | |
| General government | 515,000 | 515,000 | 525,163 | (10,163) | - | - | - | - |
| Recreation and social services | - | - | - | - | 10,768 | 10,768 | 2,084 | 8,684 |
| Total expenditures | 740,000 | 740,000 | 787,346 | (47,346) | 302,947 | 302,947 | 284,073 | 18,874 |
| Excess (deficiency) of revenues over expenditures | - | - | 3,623 | 3,623 | (130,001) | (130,001) | (133,573) | (3,572) |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | - | - | - | - | 130,000 | 130,000 | 129,996 | (4) |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 130,000 | 130,000 | 129,996 | (4) |
| Net change in fund balance | - | - | 3,623 | 3,623 | (1) | (1) | (3,577) | (3,576) |
| Fund balances, October 1, as restated | 945,307 | 945,307 | 945,307 | - | 29,360 | 29,360 | 29,360 | - |
| Fund balances, September 30 | \$ 945,307 | \$ 945,307 | \$ 948,930 | \$ 3,623 | \$ 29,359 | \$ 29,359 | \$ 25,783 | \$ (3,576) |

(Continued)

CITY OF MIAMI SPRINGS, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | Special Revenue Funds | | | | | | | |
|--|-----------------------|-----------|-------------------|---|------------------|----------|-------------------|---|
| | Grants Fund | | | | Hurricane Fund | | | |
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | | Original | Final | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 16,530 | 16,530 | 73,000 | 56,470 | - | - | 276,786 | 276,786 |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - |
| Total revenues | 16,530 | 16,530 | 73,000 | 56,470 | - | - | 276,786 | 276,786 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Recreation and social services | - | - | - | - | - | - | - | - |
| Economic and community development | 16,530 | 16,530 | 18,054 | (1,524) | 70,000 | 70,000 | 291,101 | (221,101) |
| Capital outlay: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Recreation and social services | - | - | - | - | - | - | - | - |
| Economic and community development | - | - | 57,000 | (57,000) | - | - | 14,362 | (14,362) |
| Total expenditures | 16,530 | 16,530 | 75,054 | (58,524) | 70,000 | 70,000 | 305,463 | (221,101) |
| Excess (deficiency) of revenues over expenditures | - | - | (2,054) | (2,054) | (70,000) | (70,000) | (28,677) | 41,323 |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | - | - | 2,500 | 2,500 | 70,000 | 70,000 | 27,677 | (42,323) |
| Transfers out | - | - | (35,603) | (35,603) | - | - | - | - |
| Total other financing sources (uses) | - | - | (33,103) | (33,103) | 70,000 | 70,000 | 27,677 | (42,323) |
| Net change in fund balance | - | - | (35,157) | (35,157) | - | - | (1,000) | (1,000) |
| Fund balances, October 1, as restated | 35,602 | 35,602 | 35,602 | - | 1,000 | 1,000 | 1,000 | - |
| Fund balances, September 30 | \$ 35,602 | \$ 35,602 | \$ 445 | \$ (35,157) | \$ 1,000 | \$ 1,000 | \$ - | \$ (1,000) |

**STATISTICAL SECTION
(SUPPLEMENTAL DATA)**

CITY OF MIAMI SPRINGS, FLORIDA

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (1)

| Fiscal Year | Program Revenues | | | General Revenues | | | | | | Total |
|----------------|-------------------------|--|--|------------------|------------------|-------------------|------------------------|----------------------|---------------|------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes | Utility Taxes | Franchise Fees | Inter- Governmental | Investment Income | Miscellaneous | |
| 2003 | 9,130,910 | 713,947 | - | 5,619,633 | 1,603,090 | 657,367 | 1,773,722 | 64,179 | 221,207 | 19,784,055 |
| 2004 | 9,359,714 | 545,430 | - | 6,031,710 | 1,570,102 | 747,491 | 1,989,053 | 63,406 | 116,331 | 20,423,237 |

(1) Information for fiscal years ending September 30, 1995-2002 are unavailable in this format

CITY OF MIAMI SPRINGS, FLORIDA

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (1)

| Fiscal Year | Governmental Activities | | | | | | Business-type Activities | | | | Total |
|----------------|-------------------------|------------------|-----------------|--------------------------------------|--|----------------------------------|------------------------------|------------------------|------------------------|-------------------------|------------|
| | General Government | Public Safety | Public Works | Recreation and Social Services | Economic & Community Development | Interest on long term debt | Water & Sewer Services | Sanitation Services | Stormwater Services | Golf Course Services | |
| 2003 | 1,978,127 | 4,383,608 | 1,820,796 | 1,307,295 | 448,085 | 213,463 | 4,866,356 | 1,738,210 | 233,223 | 2,345,375 | 19,334,538 |
| 2004 | 2,276,618 | 4,415,911 | 1,657,463 | 3,496,884 | 315,083 | 218,302 | 5,039,059 | 1,774,754 | 234,406 | (2) | 19,428,480 |

(1) Information for fiscal years ending September 30, 1995-2002 are unavailable in this format

(2) The Golf Course Fund was reclassified to a governmental activity in FY2004

CITY OF MIAMI SPRINGS, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS (*)

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Utility Taxes</u> | <u>Inter-Governmental</u> | <u>Charges for Services</u> | <u>Fines and Forfeitures</u> | <u>Interest</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--------------------|--------------|-----------------------------|----------------------|---------------------------|-----------------------------|------------------------------|-----------------|----------------------|--------------|
| 1995 | 3,201,718 | 231,713 | - | 986,645 | 261,763 | 158,306 | 100,197 | 115,358 | 5,055,700 |
| 1996 | 3,335,410 | 382,800 | - | 998,617 | 269,957 | 185,704 | 106,063 | 55,047 | 5,333,598 |
| 1997 | 3,428,889 | 442,316 | - | 994,908 | 230,906 | 190,325 | 141,286 | 111,001 | 5,539,631 |
| 1998 | 3,550,445 | 495,800 | - | 1,041,652 | 222,028 | 191,978 | 119,602 | 65,934 | 5,687,439 |
| 1999 | 3,593,494 | 372,971 | - | 1,044,169 | 222,127 | 236,447 | 99,994 | 98,811 | 5,668,013 |
| 2000 | 4,008,871 | 397,977 | - | 1,104,679 | 218,598 | 205,608 | 175,049 | 65,383 | 6,176,165 |
| 2001 | 4,252,226 | 329,869 | - | 1,110,573 | 249,045 | 228,281 | 147,642 | 207,149 | 6,524,785 |
| 2002 | 4,895,579 | 414,845 | - | 1,116,831 | 269,213 | 236,873 | 37,856 | 79,718 | 7,050,915 |
| 2003 | 5,941,308 | 359,674 | 1,603,090 | 1,142,268 | 276,164 | 103,764 | 23,893 | 140,865 | 9,591,026 |
| 2004 | 6,385,866 | 396,527 | 1,570,102 | 1,200,928 | 227,864 | 170,547 | 35,287 | 128,981 | 10,116,102 |

(*) General Fund Only

CITY OF MIAMI SPRINGS, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (*)

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Recreation and Culture</u> | <u>Non-Departmental and Capital Outlay</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|---------------------|-------------------------------|--|--------------|
| 1995 | 1,165,266 | 3,281,455 | 1,162,778 | 933,690 | 252,685 | 6,795,874 |
| 1996 | 1,090,532 | 3,252,915 | 1,183,603 | 850,520 | 521,790 | 6,899,360 |
| 1997 | 1,218,916 | 3,507,996 | 1,142,522 | 796,484 | 234,581 | 6,900,499 |
| 1998 | 1,031,496 | 3,631,211 | 1,320,299 | 760,635 | 68,243 | 6,811,884 |
| 1999 | 1,170,764 | 3,686,148 | 1,400,152 | 810,038 | 230,570 | 7,297,672 |
| 2000 | 1,139,880 | 3,935,295 | 1,306,267 | 743,645 | 525,564 | 7,650,651 |
| 2001 | 1,200,515 | 4,052,125 | 1,413,852 | 866,281 | 436,777 | 7,969,550 |
| 2002 | 1,366,659 | 4,184,342 | 1,573,400 | 977,316 | 606,010 | 8,707,727 |
| 2003 | 1,437,897 | 4,055,225 | 1,757,668 | 896,420 | 564,854 | 8,712,064 |
| 2004 | 1,621,551 | 4,131,263 | 1,592,576 | 872,307 | 663,449 | 8,881,146 |

(*) General Fund Only

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY TAX RATES

LAST TEN FISCAL YEARS

| Fiscal Year | City | | County | | | Special Districts | | | | Total Property Tax Rate |
|-------------|-----------|--------------|-------------|--------------|-------|-------------------|---------|--------|-------|-------------------------|
| | City Wide | Debt Service | County-Wide | Debt Service | Fire | MDCC | Library | School | State | |
| 1995 | 6.700 | 0.000 | 6.828 | 0.789 | 2.558 | 0.030 | 0.329 | 10.389 | 0.687 | 28.310 |
| 1996 | 6.700 | 0.000 | 6.828 | 0.829 | 2.518 | - | 0.329 | 10.389 | 0.687 | 28.280 |
| 1997 | 6.700 | 0.000 | 6.469 | 0.774 | 2.745 | - | 0.339 | 10.366 | 0.710 | 28.103 |
| 1998 | 6.950 | 0.891 | 6.023 | 0.837 | 2.864 | - | 0.334 | 10.260 | 0.644 | 28.803 |
| 1999 | 7.450 | 0.848 | 5.809 | 0.816 | 2.752 | - | 0.321 | 9.744 | 0.641 | 28.381 |
| 2000 | 7.450 | 0.588 | 5.751 | 0.652 | 2.752 | - | 0.351 | 9.717 | 0.638 | 27.899 |
| 2001 | 7.750 | 0.662 | 5.713 | 0.552 | 2.752 | - | 0.451 | 9.376 | 0.736 | 27.992 |
| 2002 | 8.150 | 0.594 | 5.889 | 0.390 | 2.661 | - | 0.486 | 9.252 | 0.736 | 28.158 |
| 2003 | 8.144 | 0.543 | 6.469 | 0.285 | 2.661 | - | 0.486 | 9.100 | 0.736 | 28.424 |
| 2004 | 8.144 | 0.508 | 6.379 | 0.285 | 2.661 | - | 0.486 | 8.687 | 0.736 | 27.886 |

Additional information:

Property tax rates are assessed per \$1,000 of Taxable Assessed Valuation

Tax rate limits:

| | |
|--------|--------------|
| City | 10.000 Mills |
| County | 10.000 Mills |
| School | 10.000 Mills |
| State | 10.000 Mills |

Source: Miami-Dade County
Department of Property Appraisal

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY TAX LEVIES AND COLLECTION

LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Total Adjusted Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Percent of Total Tax Collections Tax Levy</u> |
|--------------------|--------------------------------|--------------------------------|----------------------------------|-----------------------------------|------------------------------|--|
| 1995 | 3,206,060 | 3,182,814 | 99.3% | 18,904 | 3,201,718 | 99.9% |
| 1996 | 3,315,000 | 3,222,080 | 97.2% | 113,330 | 3,335,410 | 100.6% |
| 1997 | 3,412,532 | 3,293,225 | 96.5% | 135,664 | 3,428,889 | 100.5% |
| 1998 | 3,834,771 | 3,466,732 | 90.4% | 93,712 | 3,560,444 | 92.8% |
| 1999 | 3,685,761 | 3,524,806 | 95.6% | 55,586 | 3,580,392 | 97.1% |
| 2000 | 4,139,585 | 3,831,268 | 92.6% | 177,603 | 4,008,871 | 96.8% |
| 2001 | 4,339,783 | 4,186,507 | 96.5% | 65,719 | 4,252,226 | 98.0% |
| 2002 | 4,743,838 | 4,862,560 | 102.5% | 33,019 | 4,895,579 | 103.2% |
| 2003 | 5,465,993 | 5,283,941 | 96.7% | 25,913 | 5,309,854 | 97.1% |
| 2004 | 5,825,961 | 5,613,699 | 96.4% | 24,676 | 5,638,375 | 96.8% |

Note: Total Adjusted Tax Levy is based on final assessed property values by Miami-Dade County Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

Discounts Allowed:

| | |
|----------|------------------|
| November | 4% |
| December | 3% |
| January | 2% |
| February | 1% |
| April | Taxes delinquent |

CITY OF MIAMI SPRINGS, FLORIDA

ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Real Property Assessed Value</u> | <u>Personal Property Assessed Value</u> | <u>Centrally Assessed Property Value</u> | <u>Gross Assessed Property Value</u> |
|------------------------|---|---|--|--|
| 1995 | 463,339,132 | 52,738,435 | 19,308 | 516,096,875 |
| 1996 | 463,687,206 | 55,965,584 | 18,791 | 519,671,581 |
| 1997 | 479,115,252 | 56,835,834 | 19,039 | 535,970,125 |
| 1998 | 490,729,243 | 49,973,107 | 25,376 | 540,727,726 |
| 1999 | 506,468,957 | 56,524,713 | 25,054 | 563,018,724 |
| 2000 | 532,171,301 | 83,157,143 | 25,385 | 615,353,829 |
| 2001 | 570,033,667 | 74,263,104 | 27,632 | 644,324,403 |
| 2002 | 587,221,157 | 83,425,665 | 27,245 | 670,674,067 |
| 2003 | 635,661,868 | 82,765,913 | 27,050 | 718,454,831 |
| 2004 | 701,989,433 | 78,187,716 | 30,842 | 780,207,991 |

Note: (1) Real, Personal, and Central Business District Property is assessed by the Miami-Dade County Department of Property Appraisal as of January 1 each tax year and is used in the following fiscal year ending September 30.

(2) The basis of assessed values is approximately one hundred percent (100%) of actual Real, Personal and Central Business District Property values.

(3) Gross Assessed Property Value is equal to the sum of Real Property, Personal Property and Property Centrally Assessed for operating purposes less any exemptions.

Sources: Miami-Dade County
Department of Property Appraisal -DR-420

CITY OF MIAMI SPRINGS, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| <u>Jurisdiction</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to Miami Springs</u> | <u>Amount Applicable to <u>Miami</u> Springs</u> |
|-------------------------------|-------------------------------------|---|--|
| City of Miami Springs | 13,435,000 | 100.0% | 13,435,000 |
| Miami-Dade County Schools (1) | 1,205,914,234 | 0.7% | 8,441,400 |
| Miami-Dade County (2) | 225,581,000 | 0.7% | 1,579,067 |

Note: The "Net Debt Outstanding" for the Miami-Dade County School System for this report represents the total debt confirmed by the organization's comptroller.

Sources: (1) Miami-Dade County Schools, General Finance Department
(2) Miami-Dade County, Finance Department (includes General Obligation, Special Obligation Bonds)

CITY OF MIAMI SPRINGS, FLORIDA
RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUE AND NET
BONDED DEBT PER CAPITA/ PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years
(unaudited)

| Fiscal Year | Population (2) | Total Assessed Value | Gross Bonded Debt (1) | Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Taxable Assessed Value | Net Bonded Debt Per Capita | Principal | Interest | Total Debt Service | Total General Expenditures | Percentage of Debt Service to Total General Expenditures |
|-------------|----------------|----------------------|-----------------------|--------------------------|-----------------|--|----------------------------|-----------|----------|--------------------|----------------------------|--|
| 1995 | 13,279 | 516,096,875 | - | - | - | - | - | - | - | - | 6,795,874 | - |
| 1996 | 13,281 | 519,671,581 | - | - | - | - | - | - | - | - | 6,899,360 | - |
| 1997 | 13,284 | 535,970,125 | - | - | - | - | - | - | - | - | 6,900,499 | - |
| 1998 | 13,287 | 540,727,726 | 5,000,000 | - | 5,000,000 | 0.009 | 376.31 | - | 224,352 | 224,352 | 6,811,884 | 3.29% |
| 1999 | 13,290 | 563,018,724 | 4,845,000 | (62,652) | 4,907,652 | 0.009 | 369.27 | 155,000 | 241,648 | 396,648 | 7,297,672 | 5.44% |
| 2000 | 13,295 | 615,353,829 | 4,685,000 | (115,822) | 4,800,822 | 0.008 | 361.10 | 160,000 | 235,268 | 395,268 | 7,650,651 | 5.17% |
| 2001 | 13,712 | 644,324,403 | 4,520,000 | (165,678) | 4,685,678 | 0.007 | 341.72 | 165,000 | 228,523 | 393,523 | 7,969,550 | 4.94% |
| 2002 | 13,901 | 670,674,067 | 4,345,000 | (171,636) | 4,516,636 | 0.007 | 324.91 | 175,000 | 221,295 | 396,295 | 8,707,727 | 4.55% |
| 2003 | 13,725 | 718,454,831 | 4,160,000 | (104,690) | 4,264,690 | 0.006 | 310.72 | 185,000 | 213,463 | 398,463 | 8,712,064 | 4.57% |
| 2004 | 13,725 | 780,207,991 | 3,970,000 | (100,821) | 4,070,821 | 0.005 | 296.60 | 190,000 | 205,118 | 395,118 | 8,881,146 | 4.45% |

Notes:

(1) Includes General Obligation Bonds payable from general revenues. Does not include Revenue Bonds payable from revenues.

(2) Furnished by the Bureau of Economic and Business Research (University of Florida)

CITY OF MIAMI SPRINGS, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2004

The Charter of the City of Miami Springs imposes no bonded debt limit.

CITY OF MIAMI SPRINGS, FLORIDA

REVENUE BOND COVERAGE

LAST TEN FISCAL YEARS

| Fiscal Year | Gross Revenue | Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|---------------|---------------------------|--|---------------------------|----------|---------|----------|
| | | | | Principal | Interest | Total | |
| 1995 | 3,713,147 | 3,713,147 | - | 480,000 | 381,703 | 861,703 | - |
| 1996 | 4,667,204 | 3,657,259 | 1,009,945 | 490,000 | 349,470 | 839,470 | 120 |
| 1997 | 4,955,872 | 3,825,070 | 1,130,802 | 505,000 | 332,320 | 837,320 | 135 |
| 1998 | 5,060,001 | 3,183,505 | 1,876,496 | - | 335,713 | 335,713 | 559 |
| 1999 | 3,641,641 | 2,292,819 | 1,348,822 | 295,000 | 536,000 | 831,000 | 162 |
| 2000 | 3,747,554 | 2,744,022 | 1,003,532 | 310,000 | 525,625 | 835,625 | 120 |
| 2001 | 3,514,412 | 2,774,223 | 740,189 | 320,000 | 513,229 | 833,229 | 89 |
| 2002 | 4,785,708 | 3,917,323 | 868,385 | 335,000 | 500,265 | 835,265 | 104 |
| 2003 | 4,885,544 | 3,243,656 | 1,641,888 | 350,000 | 486,362 | 836,362 | 196 |
| 2004 | 4,897,538 | 3,559,686 | 1,337,852 | 360,000 | 471,663 | 831,663 | 161 |

Note: Gross Revenue includes total operating revenues, interest income, miscellaneous revenue and operating transfers.

Direct Operating Expenses do not include depreciation.

CITY OF MIAMI SPRINGS, FLORIDA
PROPERTY VALUES, BUILDING CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Property Value (1)</u> | <u>Residential</u> | | <u>Commercial</u> | | <u>Bank Deposits (2) for County</u> |
|------------------------|-------------------------------|--------------------|--------------|-------------------|--------------|---|
| | | <u>Units</u> | <u>Value</u> | <u>Units</u> | <u>Value</u> | |
| 1995 | 516,096,875 | 94 | 876,005 | 17 | 681,900 | 49,548,000 |
| 1996 | 519,671,581 | 101 | 1,361,530 | 29 | 1,075,300 | 51,200,000 |
| 1997 | 535,970,125 | 81 | 1,818,546 | 29 | 7,686,656 | 56,200,000 |
| 1998 | 540,727,726 | 43 | 2,163,489 | 85 | 16,850,990 | 58,200,000 |
| 1999 | 563,018,724 | - | - | 3 | 13,848,000 | 49,400,000 |
| 2000 | 615,353,829 | 3 | 565,374 | 1 | 1,000,590 | 52,600,000 |
| 2001 | 644,324,403 | 8 | 2,325,119 | 2 | 1,450,000 | 58,200,000 |
| 2002 | 670,674,067 | 90 | 4,104,374 | 2 | 344,293 | 61,700,000 |
| 2003 | 718,454,831 | 691 | 4,621,346 | 56 | 933,524 | 67,100,000 |
| 2004 | 780,207,991 | 560 | 2,483,658 | 31 | 3,960,550 | 69,300,000 |

Note: Construction refers to new construction only, improvements are not to be included in these figures.

Sources: (1) Property values are estimated at one hundred percent (100%) of assessed Real, Personal and Central Business District Property values.

(2) State of Florida, Division of Banking as of June 30, of each respective year.

CITY OF MIAMI SPRINGS, FLORIDA

PRINCIPAL TAXPAYERS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>2004 Assessed Valuation</u> | <u>Percentage Total Assessed Valuation</u> |
|---|-------------------------|--|--|
| Bellsouth Telecommunications | Commercial | \$ 22,111,040 | 2.8% |
| Airbus Service Company Inc | Aviation | 18,327,392 | 2.3% |
| Felcor/ CSS Holdings L.P. | Hotel Facility | 18,287,500 | 2.3% |
| AA Group, Inc | Auto Storage | 9,748,183 | 1.2% |
| Florida Power & Light | Commercial | 9,478,457 | 1.2% |
| Airport Financial Center, Inc. | Commercial | 8,700,000 | 1.1% |
| Red Roof Inns | Hotel Facility | 7,012,523 | 0.9% |
| Fairhaven Real Estate, LLC. | Nursing Home | 6,507,732 | 0.8% |
| First Union National Bank | Bank-Financial | 5,943,000 | 0.8% |
| Royal Palm Properties | Apartment Complex | 5,568,578 | 0.7% |
| Dorian Van Beyer Callen & Charlotte Callen | Hotel Facility | 5,250,000 | 0.7% |
| BRE HMSTD Portfolio LLC | Hotel Facility | 5,180,000 | 0.7% |
| Beck-Marcus Assoc.-Miami Airport | Hotel Facility | 4,804,162 | 0.6% |
| First Choice Properties Corp. | Hotel Facility | 4,005,694 | 0.5% |
| Boulevard Motel Corp. | Hotel Facility | 3,822,178 | 0.5% |
| Southern Bell Tel. & Tel. Co. | Commercial | 3,453,756 | 0.4% |
| Miami Springs Villas | Apartment Complex | 3,356,192 | 0.4% |
| Biscayne Properties, Inc. TR & Fairways, Inc. | Hotel Facility | 3,171,078 | 0.4% |
| Berthold & Marjorie B. Samertis | Apartment Complex | 2,963,636 | 0.4% |
| Hideaway in the Grove. Ltd. | Apartment Complex | 2,450,000 | 0.3% |
| | Totals | <u>\$ 150,141,101</u> | <u>19.2%</u> |

Sources: Miami-Dade County Tax Assessors' Office
2004 Tax Roll
Real/personal property adjusted taxable value- \$780,207,991

CITY OF MIAMI SPRINGS, FLORIDA
TEN LARGEST PUBLIC AND PRIVATE EMPLOYERS
LOCATED IN MIAMI-DADE COUNTY, FLORIDA
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| TEN LARGEST PUBLIC EMPLOYERS | | TEN LARGEST PRIVATE EMPLOYERS | |
|-------------------------------------|--------|--------------------------------------|--------|
| Miami-Dade County Public Schools | 54,387 | Baptist Health Systems | 10,300 |
| Miami-Dade County, Florida | 32,265 | University of Miami | 9,079 |
| Jackson Memorial Hospital | 11,700 | American Airlines | 9,000 |
| Miami-Dade Community College | 7,500 | United Parcel Service | 5,000 |
| Florida International University | 5,000 | Bellsouth | 4,800 |
| City of Miami | 3,954 | Winn-Dixie Stores, Inc. | 4,616 |
| Veterans Administration Hospital | 2,018 | Precision Response Corp. | 4,196 |
| City of Miami Beach | 1,839 | Publix Supermarkets | 4,000 |
| City of Hialeah | 1,800 | Florida Power & Light | 3,665 |
| U.S. Southern Command | 1,200 | Burdines/Macy's | 3,368 |

Source: The Beacon Council

CITY OF MIAMI SPRINGS, FLORIDA

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

| Fiscal Year | Population (1) | Per Capita Personal Income (2) | | | Unemployment Rate (3) | | | Enrollment Public Schools in Miami Springs |
|-------------|----------------|--------------------------------|---------|-------------------|-----------------------|---------|-------------------|--|
| | Miami Springs | USA | Florida | Miami-Dade County | USA | Florida | Miami-Dade County | |
| 1995 | 13,279 | 22,581 | 23,512 | 20,713 | 7.0 | 7.2 | 8.0 | 6,436 |
| 1996 | 13,281 | 23,562 | 25,512 | 21,565 | 6.8 | 6.9 | 7.9 | 6,745 |
| 1997 | 13,284 | 24,651 | 24,616 | 22,270 | 4.1 | 3.2 | 7.7 | 6,987 |
| 1998 | 13,287 | 25,924 | 23,512 | 22,833 | 4.9 | 4.8 | 7.1 | 6,885 |
| 1999 | 13,290 | 27,203 | 26,845 | 23,919 | 4.5 | 4.3 | 6.4 | 7,488 |
| 2000 | 13,295 | 28,546 | 27,781 | 24,733 | 4.2 | 3.9 | 5.8 | 7,922 |
| 2001 | 13,712 | 29,469 | 27,764 | 26,584 | 4.0 | 3.6 | 5.3 | 8,005 |
| 2002 | 13,901 | 30,413 | 29,048 | 26,584 | 4.7 | 7.2 | 7.4 | 7,123 |
| 2003 | 13,725 | 30,941 | 29,596 | N/A | 6.1 | 5.2 | 7.2 | 7,364 |
| 2004 | 13,725 | 31,632 | 30,446 | N/A | 5.5 | 4.5 | 7.5 | 6,828 |

Source: (1) City of Miami Springs and University of Florida

(2) US Department of Commerce, Bureau of Economic Statistics

(3) State of Florida, Tallahassee, Florida Department of Labor and Employment Security, as reported in Florida Statistical Abstract 2000, Table 6.11, Page 232.

(4) Miami-Dade County Public Schools Registrar's Office

** Per Capita Personal Income is not available for the City of Miami Springs

CITY OF MIAMI SPRINGS, FLORIDA
MISCELLANEOUS STATISTICS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | |
|--------------------------------------|--|
| Date of Incorporation | August 23, 1926 |
| Form of Government | Council/Manager |
| Area | 2.8 square miles |
| Miles of Streets | 55 |
| Fire Protection(Miami-Dade County): | |
| Number of Stations | 1 |
| Number of Firemen and Officers | 21-24 |
| Police Protection: | |
| Number of Stations | 1 |
| Number of Policemen and Officers | 43 |
| Education(Miami-Dade County): | |
| Attendance Centers | 2 Elem, 1 Middle, 1 Sr. High |
| Number of Teachers | Middle 100/MS Elem. 42/SPV.Elem 40/MS High 156 |
| Number of Students | 6828 |
| Municipal Water Department: | |
| Number of Connections | 4,245 |
| Annual Consumption | 1000M gallons |
| Miles of Water Mains | 40 miles |
| Sewers: | |
| Number of Connections | 4,311 |
| Sanitary Sewers | 57.25 miles |
| Storm Sewers | 4.8 miles |
| Building Permits Issued | 1,535 |
| Recreation and Culture: | |
| Number of Parks | 3 |
| Number of Libraries | 1 |
| Number of Volumes | 2,000 (approx.) |
| Number of Senior Centers | 1 |
| Number of Public Swimming Pools | 1 |
| Number of Golf Courses | 1 |
| Non-Police Employees: | |
| Classified Service | 89 |
| Exempt | 16 |
| Police | 43 |

COMPLIANCE SECTION

CABALLERO & CASTELLANOS, P.L.

13340 SW 78 ST
Miami, FL 33183
Tel (305) 609-6332
Fax (305) 380-7596

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida (the City) as of and for the fiscal year ended September 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Miami Springs, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Miami Springs, Florida's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items No. 2003-1, 2002-3, and 2002-10.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.



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Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Miami Springs, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Caballero & Castellanos, P.L.

November 23, 2004



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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Compliance

We have audited the compliance of the City of Miami Springs, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2004. The City of Miami Springs, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Miami Springs, Florida's management. Our responsibility is to express an opinion on the City of Miami Springs, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Miami Springs, Florida's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Miami Springs, Florida's compliance with those requirements.

In our opinion, the City of Miami Springs, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2004.



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Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Internal Control Over Compliance

The management of the City of Miami Springs, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Caballero & Castellanos, P.L.

November 23, 2004



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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MANAGEMENT LETTER REQUIRED BY SECTION 10.554(G) OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the basic financial statements of the City of Miami Springs, Florida (the "City"), as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated November 23, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 23, 2004, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1) (h) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the City, as described in the first paragraph, we report on the following, which is included on pages 87 through 95.

- I. **Summary of Auditors' Results**
- II. **Financial Statement Findings and Recommendations**
- III. **Federal Award Findings and Questioned Costs**
- IV. **Compliance with the Provisions of the Auditor General of the State of Florida.**

We previously reported on the City's compliance and internal control over financial reporting in our reports dated November 23, 2004 on pages 80 to 83.

This report is intended for the information of the Mayor, City Council, City Manager and management of the City of Miami Springs, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the City of Miami Springs, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Caballero & Castellanos, P.L.

November 23, 2004



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CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|--|------------------------------------|--------------------------|
| <i>Federal Emergency Management Agency</i> | | |
| Office of Community Development and Public Assistance | 83.544 | \$ 305,462 |
| <i>U.S. Department of Health and Human Services</i> | | |
| Alliance for Aging, Inc. | | |
| Title III, Part C Nutrition Services | 93.045 | 102,306 |
| Title III, Part B Grants for Supportive Services | 93.044 | 9,518 |
| <i>Total U.S. Department of Health and Human Services</i> | | <u>111,824</u> |
| <i>U.S. Department of Agriculture</i> | | |
| Nutrition Program for the Elderly | 10.570 | <u>27,676</u> |
| <i>U.S. Department of Justice</i> | | |
| Office of Community Policing Services | | |
| COPS MORE | 16.710 | 16,530 |
| Federal Equitable Sharing | 16.000 | 285,979 |
| <i>Total U.S. Department of Justice</i> | | <u>302,509</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u><u>\$ 747,471</u></u> |

CITY OF MIAMI SPRINGS, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROGRAMS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

NOTE A – General

The Schedule of Expenditures of Federal Awards Programs included herein represents all of the Federal grant awards of the City over which it exercised direct operating control for the year ended September 30, 2004.

NOTE B – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards Programs is presented using the accrual basis of accounting and includes expenses incurred by the City during its fiscal year October 1, 2003 to September 30, 2004.

NOTE C – Scope of audit pursuant to OMB CIRCULAR A-133

All Federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March 2003, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all Federal award programs with fiscal 2004 cash and noncash expenditures in excess of \$500,000 that ensure coverage of at least 50% of Federally granted funds. Actual coverage is approximately 53% of total cash and noncash Federal award program expenses.

| <u>Major Federal Award Program Description</u> | <u>Fiscal 2004 Expenses</u> |
|---|---------------------------------|
| U.S. Department of Health and Human Services | \$111,824 |
| U.S. Department of Justice – Office of Community Policing | <u>285,979</u> |
| | <u>\$397,803</u> |

NOTE D – Findings of noncompliance

See schedule of findings and questioned for findings of noncompliance identified in connection with the September 30, 2004 Single Audit.

NOTE E – Audits performed by other organizations

During the year ended September 30, 2004, there were monitoring reviews of the City's Administration of Federal Financial Assistance Program performed by the Alliance for the Aging, Inc. All questions have been addressed by the City and there were no items of significance that required further reporting within the schedule of findings and questioned costs.

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | |
|---|-------------|
| Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|-------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Reportable conditions identified that are not considered to be material weaknesses? | No |
| Type of auditors' report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |

Identification of major program:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--|
| 93.044/93.045 | U.S. Department of Health and Human Services |
| 16.000 | U.S. Department of Justice |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$500,000 |
| Auditee qualifies as low risk auditee? | No |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Other Matters

No. 2004-1 Utility security deposits

CONDITION:

During our testing of utility security deposits, we identified three (3) customers of fifteen (15) tested which had no security deposits for utility services. The City's Utility Rate Ordinances require that the City maintain security deposit balances for all customers. By not have a security deposit balance on record for these customers, the City is not complying with its Utility Rate Ordinances.

RECOMMENDATION:

We recommend that the City review its current utility security deposit listing. For customers with no security deposit balance, steps should be taken to ensure that the customer have a security deposit balance on record.

MANAGEMENT RESPONSE:

The City administration is aware of the problem and has identified all utility customers in the City that do not have deposits on their accounts. During FY2005, we will contact these customers and obtain the required deposits.

No. 2004-2 Enterprise fund deficits

CONDITION:

During our testing of the enterprise funds we noted that the Sanitation Fund had an operating loss of approximately \$124,000 during 2004. The fees charged to the City by Miami-Dade County for waste disposal have increased however, there has been no adjustments to rates charged to the residents for these services.

We also noted that the Water & Sewer Fund and the Sanitation Fund had deficits in unrestricted net assets of approximately \$278,000 and \$51,000, respectively. These deficits in unrestricted net assets represent negative reserves for future repairs and improvements to the City's Utility System.

RECOMMENDATION:

We recommend that the City review its current charges for sanitation services to ensure the fees cover the costs of operations. The City should also examine its current reserves for future capital repairs and improvements of its utility system. Increases in water and sewer fees might also be necessary to build reserves for future major capital repairs and improvements. The City should also consider performing a current study on the condition of its utility system.

MANAGEMENT RESPONSE:

The Administration will present to the City Council proposals for the increase of sanitation fees on an annual basis in order to keep up with the increased dumping costs charged to the City by the Metro Dade County Solid Waste Department. At the same time, the Administration has initiated various cost-cutting measures that will allow us to begin accumulating reserves for future repairs to the system.

SECTION II - FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

No. 2002-1 Unrecorded Liabilities

CONDITION:

As a result of our tests performed over accounts payable and long term debt, we noted material transactions that were not accounted for during the prior and current fiscal periods. As a result, a liability for workers' compensation in the amount of approximately \$388,000 that belongs to the prior year was recorded in the current fiscal period. In addition, during the current year adjustments were made to record a capital lease for approximately \$161,000 that was not recorded by the City in the prior year and a capital lease entered into by the City during the current year for approximately \$380,000.

CURRENT YEAR STATUS:

We noted no material transactions which were not properly accounted for as of September 30, 2004. **Comment will not be repeated.**

No. 2002-3 Irreconcilable difference in cash

CONDITION:

As part of our tests over cash transactions, we reviewed the City's monthly bank reconciliations. As a result, we noted that due to errors in the City's accounting system, the City's bank reconciliations do not reconcile with the City's bank statements. In the current year, this resulted in a net irreconcilable difference of approximately \$148,000.

In addition, we noted that signed checks that had been voided had not been properly destroyed to prevent unauthorized use. In a number of cases, we noted that checks were retained by the City that had been signed with no payee or amount recorded on the face of the check.

CURRENT YEAR STATUS:

Based on our review of bank reconciliations, we noted that bank accounts are now being reconciled monthly and there were no irreconcilable differences in cash. We did note however that approximately \$8,900 in outstanding checks on the year end bank reconciliation that were not properly voided after the issuance of replacement checks. The Finance Department is aware of these outstanding checks and will void during 2005. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Material Weaknesses (continued)

No. 2002-4 Excessive use of manual journal entries

CONDITION:

As a result of our tests over transactions affecting the City's books and records, we noted that a significant number of manual journal entries had been recorded during fiscal year 2002. In a number of cases, the same individual that was responsible for the recording and or reconciliation of accounting transactions was recording manual journal entries. In addition, there did not appear to be any supervisory review of these entries nor was there any documentary evidence that approval had been attained prior to the posting of these entries. Finally, in a number of cases, entries were being made to correct prior manual entries that were not properly recorded in the general ledger.

CURRENT YEAR STATUS:

We noted that prior to the hiring of a new Finance Director, there were a significant number of entries recorded during the current year. When the new Finance Director took over the department, he implemented controls over the proposing and recording of journal entries. Additionally, a new accounting procedures manual was implemented effective October 1, 2004. **Comment will not be repeated.**

No. 2002-5 Lack of segregation of duties in the cash cycle

CONDITION:

Based on our tests performed over cash, we noted an apparent lack of segregation of duties. It appears that the person in charge of performing the monthly bank reconciliations also performs cash receipts functions, at times processes accounts payable, manages fixed assets, and has the capability of posting manual entries to the general ledger. We also noted that incoming checks are not adequately monitored since these checks are forwarded to the cashiers for posting to the general ledger however, there is no documentary evidence of review and reconciliation of total cash received with amounts recorded within the general ledger.

We also noted that monthly bank reconciliations are not being prepared in a timely manner. In addition, when bank reconciliations are completed, there is no documentary evidence that they were reviewed by management.

CURRENT YEAR STATUS:

We noted during our current year observations that the City has implemented policies to segregate duties in the Finance Department over bank reconciliations, cash disbursements, and cash receipts. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions

No. 2003-1 Police and Firefighters' Retirement Plan

CONDITION:

During our testing of distributions to Plan participants for the City's police and firefighter's retirement system, we noted that the City incorrectly submitted estimated earnings and not actual earnings in order to compute the benefit payments for the Deferred Option Plan ("DROP"). In addition, pension contributions were collected from three out of the five participants selected subsequent to the participants drop date.

CURRENT YEAR STATUS:

During FY 2004, the City has a new Finance Director who has worked with the Pension Administrator to ensure accurate reporting. The Administrator receives all earnings reports from the City in order to review all reported amounts for accuracy. Pension contributions are reviewed during each payroll to ensure that contributions are not collected from DROP plan participants. **Comment will not be repeated.**

No. 2002-8 Physical inventories

CONDITION:

As a result of our tests, we noted that a physical inventory was performed however, the City's books and records were not properly reconciled with the physical inventory. In addition, we noted that the same individuals responsible for the inventory count were also responsible for the day-to-day management of the inventory.

CURRENT YEAR STATUS:

The City engaged an independent company to perform its year-end inventory counts. We were provided the inventory lists, which were reconciled and agreed with the general ledger for the fiscal year-ended September 30, 2004. **Comment will not be repeated.**

No. 2002-9 Compliance with Section 166.241 (3) of Florida Statutes

CONDITION:

The City is not in compliance with the following Florida statutes.

COMPLIANCE WITH SECTION 166.241 (3) OF THE FLORIDA STATUTES:

Section 166.241 (3) of the Florida Statutes states that "The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. In addition, the interfund liabilities forgiven and charged as interfund transfers resulted in additional amounts being charged against operations that were not budgeted for by the City.

CURRENT YEAR STATUS:

The City has prepared the FY2003-04 and FY2004-05 budget in accordance with Section 166.241 (3) of the Florida Statutes. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions

No. 2002-10 Lack of controls over golf course operation

CONDITION:

As a result of the performance of certain procedures over the Golf Course and Country Club operations, we noted a lack of internal control over cash receipts, cash disbursements, payroll, and general operations.

The results of our tests over the Golf Course and Country Club operations were as follows:

- a City policies require that at the time a reservation is made for all banquets, a signed contract and a deposit must be obtained however, we noted in a number of cases where no signed contract was in the file. In one specific case, an individual that canceled a banquet was able to obtain a refund of his deposit because a signed contract had not been obtained.
- b Employee discounts provided on selected menu items cannot be reconciled with daily comp logs. Also, we noted that employee discounts were being provided to individuals that were not employees of the golf and country club.

CURRENT YEAR STATUS:

Based on our tests performed during the current year audit, we noted that comment a. and b. above have not yet been addressed. In addition, we identified the following:

- i) The Pro Shop's point of sale system is not being utilized for inventory controls over sales merchandise. There is no perpetual inventory system maintained on the inventory items. A monthly physical inventory count is performed and amounts, including cost are updated manually.
- ii) We noted that there is no formal policy for verifying the customer's residence for the use of the discounted resident rates. A formal policy should be established for verifying the customer's residence as well as the residence of individuals accompanying the resident golfer.
- iii) Once the Pro Shop closes, the sale of tokens for a basket of golf balls for the drive range is handled by a part-time employee, which sells the tokens from a booth. There are no controls in place to ensure that all baskets of golf balls were paid for at the end of the day. There is a vending machine that can be used for this service however the machine is out of service most of the time.

MANAGEMENT RESPONSE:

The Administration is in the process of evaluating various operating models for the golf course operation that will pass on the responsibility for operating the golf course to a third party operator.

SECTION II - FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters

2002-14 Financial Condition Assessment

CONDITION:

In connection with our audit of the City, we applied financial condition assessment procedures pursuant to Section 10.556(8), Rules of the Auditor General, to determine if deteriorating financial conditions exist that may cause a financial emergency to occur if actions are not taken to address such conditions. The results of our assessment indicated that the entity's overall financial condition is deteriorating.

The City total unreserved fund balance/retained earnings has been declining over the past few years due to recurring losses in its Water and Sewer and Golf Course Operations Funds. Recurring losses indicate that revenues are not sufficient to cover expenditures or that expenditures are excessive.

CURRENT YEAR STATUS:

The results of the FY2004 financial condition assessment indicated that the Entity's overall financial condition has improved. However, the Golf Course Fund continues to recognize net losses from operations.

MANAGEMENT RESPONSE:

The City continues to address the Water & Sewer and Golf Course operations in order to reduce operating losses. During FY2004, through cost-cutting measures and management involvement in improving efficiency and productivity, the water & sewer operation reported an operating income. It is also important to note that during FY2004, the City discovered significant water leaks in the water infrastructure system these leaks were responsible for approximately \$170,000 in water losses for the fiscal year. The leaks were repaired during October 2004.

The Administration is in the process of evaluating various operating models for the golf course operation that will pass on the responsibility for operating the golf course to a third party operator and help the City control costs.

No. 2001-01 Golf Course Fund

CONDITION:

We noted that the City operates a Golf Course Fund, which is very costly to the City and has been operating under a deficit since its inception during fiscal year 1998. It may be more cost effective for the City to sell or discontinue operations of the Golf Course Fund.

CURRENT YEAR STATUS:

The Golf Course Fund continues to operate at a deficit, and recorded negative operating results for 2004. During 2004, the City converted the Golf Course Fund from an enterprise fund to a special revenue fund, since the Golf Course fees have not been sufficient to cover its operations since the inception of the fund. The City is also studying other possible management models of the Golf Course operations to reduce or possibly eliminate the losses to the City.

MANAGEMENT RESPONSE:

The Administration is in the process of evaluating various operating models for the golf course operation that will pass on the responsibility for operating the golf course to a third party operator and help the City control costs.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

C. STATUS OF PRIOR YEAR FINDINGS

No. 2002-15 Lack of Controls over Accounts Payable and Disbursements

Material Weakness

CONDITION:

As a result of our tests performed over cash disbursements, we noted an apparent lack of internal control over the processing of accounts payable. There appears to be no supervisory review over the input and recording of accounts payable transactions. In addition, cash disbursements processed for payment are not reviewed and reconciled with the accounts payable registers prior to issuance.

CURRENT YEAR STATUS:

We found no deficiencies in controls over accounts payable and disbursements during the performance of our audit. We noted that new policies have been implemented by the new Finance Director to ensure the proper recording of accounts payable balances. These policies have been incorporated into the new accounting policies manual that went into effect on October 1, 2004. **Comment will not be repeated.**

Reportable Condition

No. 2002-16 Lack of controls over grant revenue and expenditure recordkeeping

CONDITION:

During the performance of our procedures over the City's grant agreements, we noted that the City does not maintain a system of internal control that provides for the timely accumulation of financial data associated with grants and intergovernmental agreements from which the City receives annual funding.

CURRENT YEAR STATUS:

The City has established a written policies and procedures manual which includes procedures over the accumulation of financial data and the reporting of grants. The City prepared a schedule of federal expenditures for the fiscal year ended September 30, 2004 that was provided to us for the current audit. **Comment will not be repeated.**

SECTION IV. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. Recommendations: except those addressed in the Schedule of Findings and Questioned Costs, made in the preceding annual financial report, have been addressed.
3. Recommendations to improve the City's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and questioned costs.
4. During the course of our audit, other than as disclosed in the schedule of findings and questioned costs, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules or regulations and contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to properly record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
5. The City was incorporated by Chapter 5799, Laws of Florida, Acts of 1907. There are no component units related to the City.
6. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The City, during fiscal year 2004, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
8. The annual financial report (AFR) for the year ended September 30, 2004 filed with the Department of Banking and Finance (the Department) pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the current audit period.
9. During the course of our audit, as more fully disclosed in Note 15 of the basic financial statements, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. The accompanying schedule of findings and questioned costs presents the current year's reporting of the City's financial condition.